



8 November 2024

Market Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Australia and New Zealand Banking Group Limited – ANZBGL New Zealand Branch Registered Bank Disclosure Statement

Australia and New Zealand Banking Group Limited (**ANZBGL**) today released its ANZBGL New Zealand Branch Registered Bank Disclosure Statement for the year ended 30 September 2024.

It has been approved for distribution by ANZBGL's Board of Directors.

Yours faithfully

Simon Pordage
Company Secretary
Australia and New Zealand Banking Group Limited

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
- ANZBGL NEW ZEALAND
REGISTERED BANK DISCLOSURE STATEMENT**

FOR THE YEAR ENDED 30 SEPTEMBER 2024



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GLOSSARY

In this Registered Bank Disclosure Statement (Disclosure Statement) unless the context otherwise requires:

Bank means ANZ Bank New Zealand Limited.

Banking Group means the Bank and all its controlled entities.

Immediate Parent Company means ANZ Funds Pty. Ltd., which is the immediate parent company of ANZ Holdings (New Zealand) Limited.

Ultimate Non-Bank Holding Company, ANZGHL means ANZ Group Holdings Limited.

ANZ Group means the worldwide operations of ANZGHL, including its controlled entities.

Ultimate Parent Bank means Australia and New Zealand Banking Group Limited.

Overseas Banking Group means the worldwide operations of the Ultimate Parent Bank including its controlled entities.

New Zealand business means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand.

NZ Branch means the New Zealand business of the Ultimate Parent Bank.

ANZBGL New Zealand, We or Our means the New Zealand business of the Overseas Banking Group.

ANZ New Zealand means the New Zealand business of ANZ Group.

Registered Office is Level 10, 171 Featherston Street, Wellington, New Zealand, which is also ANZBGL New Zealand's address for service.

RBNZ means the Reserve Bank of New Zealand.

APRA means the Australian Prudential Regulation Authority.

the Order means the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014.

Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 30 September	Note	2024 NZ\$m	2023 NZ\$m
Interest income		11,933	10,226
Interest expense		(7,617)	(5,987)
Net interest income	2	4,316	4,239
Other operating income	2	467	610
Operating income		4,783	4,849
Operating expenses	3	(1,761)	(1,663)
Profit before credit impairment and income tax		3,022	3,186
Credit impairment charge	12	(44)	(183)
Profit before income tax		2,978	3,003
Income tax expense	4	(846)	(832)
Profit for the year		2,132	2,171
Comprising:			
Profit attributable to the shareholders of the Ultimate Parent Bank		2,097	2,144
Profit attributable to non-controlling interests		35	27

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2024 NZ\$m	2023 NZ\$m
Profit after tax	2,132	2,171
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain on defined benefit schemes	3	7
Items that may be reclassified subsequently to profit or loss		
Reserve movements:		
Unrealised gains / (losses) recognised directly in equity	164	(181)
Realised gains transferred to the income statement	(2)	(16)
Income tax attributable to the above items	(46)	54
Other comprehensive income after tax	119	(136)
Total comprehensive income for the year	2,251	2,035
Comprising total comprehensive income attributable to:		
The shareholders of the Ultimate Parent Bank	2,216	2,008
Non-controlling interests	35	27

BALANCE SHEET

As at 30 September	Note	2024 NZ\$m	2023 NZ\$m
Assets			
Cash and cash equivalents	7	11,634	13,094
Settlement balances receivable		574	401
Collateral paid		1,041	801
Trading securities	8	5,576	5,921
Derivative financial instruments	9	10,173	8,747
Investment securities	10	13,295	10,958
Net loans and advances	11	151,963	149,627
Deferred tax assets	4	419	396
Goodwill and other intangible assets	19	3,094	3,119
Premises and equipment		363	371
Other assets		1,334	1,154
Total assets		199,466	194,589
Liabilities			
Settlement balances payable		5,346	2,886
Collateral received		525	1,500
Deposits and other borrowings	13	145,323	144,393
Derivative financial instruments	9	11,150	8,287
Current tax liabilities		256	59
Payables and other liabilities		2,457	1,954
Employee entitlements		121	122
Other provisions	20	212	209
Debt issuances	14	17,549	18,494
Total liabilities		182,939	177,904
Net assets		16,527	16,685
Shareholders' equity			
Share capital	21	14,555	11,055
Reserves	21	24	(93)
Retained earnings	21	1,123	5,173
Equity attributable to the shareholders of the Ultimate Parent Bank	21	15,702	16,135
Non-controlling interests	21	825	550
Total shareholders' equity	21	16,527	16,685

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

	2024 NZ\$m	2023 NZ\$m
For the year ended 30 September		
Profit after income tax	2,132	2,171
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Depreciation and amortisation	109	114
Loss/(gain) on sale and impairment of premises and equipment and lease remeasurements	1	(7)
Net derivatives/foreign exchange adjustment	729	593
Other non-cash movements	(87)	(144)
<i>Net (increase)/decrease in operating assets:</i>		
Collateral paid	(240)	871
Trading securities	345	1,307
Net loans and advances	(2,336)	(2,254)
Other assets	(353)	252
<i>Net increase/(decrease) in operating liabilities:</i>		
Deposits and other borrowings (excluding items included in financing activities)	2,039	973
Settlement balances payable	2,460	(2,001)
Collateral received	(975)	(462)
Other liabilities	680	338
Total adjustments	2,372	(420)
Net cash provided by operating activities¹	4,504	1,751
Cash flows from investing activities		
Investment securities:		
Purchases	(4,297)	(4,768)
Proceeds from sale or maturity	2,905	5,414
Proceeds from sale of investment in associate	-	4
Other assets	(35)	(28)
Net cash provided by/(used in) investing activities	(1,427)	622
Cash flows from financing activities		
Deposits and other borrowings ²	(1,072)	1,000
Debt issuances: ³		
Issue proceeds	2,567	3,020
Redemptions	(3,538)	(4,444)
Borrowings from Immediate Parent and Ultimate Parent Bank: ⁴		
Change in short term borrowings	(35)	(12)
Proceeds from issue of perpetual preference shares	271	-
Repayment of lease liabilities	(50)	(46)
Dividends paid ⁵	(2,680)	(1,372)
Net cash used in financing activities	(4,537)	(1,854)
Net change in cash and cash equivalents	(1,460)	519
Cash and cash equivalents at beginning of year	13,094	12,575
Cash and cash equivalents at end of year	11,634	13,094

1 Net cash provided by operating activities includes income taxes paid of NZ\$718 million (2023: NZ\$1,067 million).

2 Movement in deposits and other borrowings include repayments of repurchase transactions entered into with the RBNZ under the Term Lending Facility of NZ\$72 million and NZ\$1,000 million under the Funding for Lending Programme (2023: amount drawn under the Funding for Lending Programme of NZ\$1,000 million).

3 Movement in debt issuances (Note 14 Debt issuances) also includes a NZ\$787 million decrease (2023: NZ\$651 million decrease) from the effect of foreign exchange rates, a NZ\$811 million increase (2023: NZ\$82 million increase) from changes in fair value hedging instruments and a NZ\$2 million increase (2023: NZ\$4 million increase) from other changes.

4 Movement in borrowings from Immediate Parent and Ultimate Parent Bank (Note 13 Deposit and other borrowings) also includes a NZ\$60 million decrease (2023: NZ\$57 million decrease) from the effect of foreign exchange rates, a NZ\$57 million increase (2023: NZ\$6 million increase) from changes in fair value hedging instruments and a NZ\$1 million increase (2023: NZ\$1 million increase) of other changes.

5 Non-cash dividend paid to the Immediate Parent Company of NZ\$3,500 million in August 2024 was used to purchase redeemable preferences shares in ANZ Holdings (New Zealand) Limited.

STATEMENT OF CHANGES IN EQUITY

	Share capital and initial head office account NZ\$m	Reserves NZ\$m	Retained earnings NZ\$m	Equity attributable to the shareholders of the Ultimate Parent Bank NZ\$m	Non-controlling interests NZ\$m	Total shareholders' equity NZ\$m
As at 1 October 2022	11,055	48	4,369	15,472	550	16,022
Profit for the year	-	-	2,144	2,144	27	2,171
Other comprehensive income for the year	-	(141)	5	(136)	-	(136)
Total comprehensive income for the year	-	(141)	2,149	2,008	27	2,035
Transactions with equity holders in their capacity as equity owners:						
Ordinary dividends paid	-	-	(1,345)	(1,345)	-	(1,345)
Perpetual preference dividends paid	-	-	-	-	(27)	(27)
As at 30 September 2023	11,055	(93)	5,173	16,135	550	16,685
Profit for the year	-	-	2,097	2,097	35	2,132
Other comprehensive income for the year	-	117	2	119	-	119
Total comprehensive income for the year	-	117	2,099	2,216	35	2,251
Transactions with equity holders in their capacity as equity owners:						
Ordinary dividends paid	-	-	(6,145)	(6,145)	-	(6,145)
Redeemable preference shares issued	3,500	-	-	3,500	-	3,500
Perpetual preference shares issued (net of issue costs)	-	-	(4)	(4)	275	271
Perpetual preference dividends paid	-	-	-	-	(35)	(35)
As at 30 September 2024	14,555	24	1,123	15,702	825	16,527

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

GENERAL INFORMATION

These are the consolidated financial statements for ANZBGL New Zealand for the year ended 30 September 2024. The Ultimate Parent Bank is incorporated in Australia and is also registered in New Zealand (NZ Branch). The NZ Branch is domiciled in New Zealand, and the address of the NZ Branch's registered office and its principal place of business is Level 10, 171 Featherston Street, Wellington, New Zealand.

On 7 November 2024, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand ANZBGL New Zealand's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in ANZBGL New Zealand's business during the period – for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of ANZBGL New Zealand's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative or other regulatory requirements.

This section of the financial statements:

- outlines the basis upon which ANZBGL New Zealand's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

These financial statements are general purpose (Tier 1) financial statements prepared by a 'for profit' entity, in accordance with the requirements of the Financial Markets Conduct Act 2013. These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice (NZ GAAP), as defined in the Financial Reporting Act 2013;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable for-profit entities; and
- International Financial Reporting Standards (IFRS).

We present the financial statements of ANZBGL New Zealand in New Zealand dollars, which is ANZBGL New Zealand's functional and presentation currency. We have rounded values to the nearest million dollars (NZ\$m), unless otherwise stated.

Certain comparative amounts have been restated to conform with the basis of presentation in the current year.

BASIS OF MEASUREMENT AND PRESENTATION

We have prepared the financial information in accordance with the historical cost basis - except for the following assets and liabilities which we have stated at their fair values:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged items;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

BASIS OF CONSOLIDATION

The consolidated financial statements of ANZBGL New Zealand comprise the financial statements of the NZ Branch and all of the New Zealand businesses of all the subsidiaries of the Ultimate Parent Bank. An entity, including a structured entity, is considered a subsidiary of ANZBGL New Zealand when we determine that ANZBGL New Zealand has control over the entity. Control exists when ANZBGL New Zealand is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give ANZBGL New Zealand the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in ANZBGL New Zealand.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items classified as FVTPL and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at FVOCI, translation differences are included in other comprehensive income.

FIDUCIARY ACTIVITIES

ANZBGL New Zealand provides fiduciary services to third parties including custody, nominee and trustee services. This involves ANZBGL New Zealand holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZBGL New Zealand is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying ANZBGL New Zealand's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

The global economy continues to face challenges associated with inflation and interest rate uncertainties, continuing trade and geopolitical tensions, and impacts from climate change, which contribute to an elevated level of estimation uncertainty involved in the preparation of these financial statements.

ANZBGL New Zealand is exposed to climate risk either directly through its operations or indirectly, for example, through lending to customers. Climate risk may also be a driver of other risks within our risk management framework. Our most material climate risks arise from lending to business and retail customers, which contributes to credit risk.

ANZBGL New Zealand has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2024 about future events considered reasonable in the circumstances. Thus, there is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further in the relevant notes of these financial statements, along with assumptions and judgements made in relation to other key estimates. Readers should consider these disclosures in light of the inherent uncertainties described above.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

Accounting policies have been consistently applied, unless otherwise noted.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

Amendments to New Zealand Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends NZ IAS 12 *Income Taxes* (NZ IAS 12). It clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences which may apply to leases and decommissioning or restoration obligations. This amendment was effective for ANZBGL New Zealand from 1 October 2023 and did not have a material impact on ANZBGL New Zealand.

INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES

The Organisation for Economic Co-Operation and Development published the Pillar Two Model Rules in December 2021 which are designed to ensure large multinational enterprises pay a minimum level of tax of 15% in each of the jurisdictions where they operate. A number of countries in which the ANZ Group operates have implemented or announced the proposed implementation of the Pillar Two rules including New Zealand.

Pillar Two legislation was enacted in New Zealand in March 2024 and will be effective for ANZBGL New Zealand from 1 October 2025.

The External Reporting Board (XRB) issued International Tax Reform – Pillar Two Model Rules (Amendments to NZ IAS 12) in July 2023 to address the Pillar Two Model rules. ANZBGL New Zealand has applied the mandatory exemption in para 4A of this standard and has not recognised or disclosed any associated deferred taxes.

ANZBGL New Zealand has assessed the potential impact from the Pillar Two legislation and does not expect a material exposure, if any, once the Pillar Two legislation becomes effective.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2024 and have not been applied by ANZBGL New Zealand in preparing these financial statements. Further details of these are set out below.

NZ IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

In May 2024, the XRB issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) which updates and replaces requirements for the presentation and disclosure of information in financial statements. NZ IFRS 18 introduces new defined subtotals to be presented in the consolidated income statement, disclosure of management-defined performance measures and requirements for grouping of information. This standard will be effective for the financial year beginning 1 October 2027. We are currently assessing the impact of adopting this standard.

CLASSIFICATION AND MEASUREMENT AMENDMENTS TO NZ IFRS 9 FINANCIAL INSTRUMENTS (NZ IFRS 9)

In June 2024, the XRB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends requirements related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance and similar features. The amendments will be effective for the financial year beginning 1 October 2026. We are currently assessing the impact of adopting the amendments.

LEASE LIABILITY IN A SALE AND LEASEBACK

Amendments to New Zealand Accounting Standards – Lease Liability in a Sale and Leaseback amends NZ IFRS 16 *Leases* and specifies the accounting for variable lease payments by seller-lessees in sale and leaseback transactions. The amendment is effective from 1 October 2024 and will not have a material impact on ANZBGL New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING INCOME

	2024 NZ\$m	2023 NZ\$m
Net interest income		
Interest income by type of financial asset		
Financial assets at amortised cost	11,245	9,656
Trading securities	249	246
Investment securities	409	304
Financial assets at FVTPL	30	20
Interest income	11,933	10,226
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(7,389)	(5,776)
Financial liabilities designated at FVTPL	(228)	(211)
Interest expense	(7,617)	(5,987)
Net interest income	4,316	4,239
Other operating income		
Fee and commission income		
Lending fees	19	28
Non-lending fees	715	729
Commissions	29	33
Funds management income	246	244
Fee and commission income	1,009	1,034
Fee and commission expense	(515)	(530)
Net fee and commission income	494	504
Other income		
Net foreign exchange earnings and other financial instruments income ¹	(39)	60
Adjustment to gain on sale of UDC Finance Ltd	2	25
Gain on sale of premises and equipment	1	10
Other	9	11
Other income	(27)	106
Other operating income	467	610
Operating income	4,783	4,849

¹ Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at FVTPL.

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest income and expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at FVOCI, and assets and liabilities designated at FVTPL. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at amortised cost and FVOCI. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

OTHER OPERATING INCOME

Fee and commission income

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product.
- non-lending fees include fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international transaction fees. Where ANZBGL New Zealand provides multiple goods or services to a customer under the same contract, ANZBGL New Zealand allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If ANZBGL New Zealand collects funds on behalf of a third party when acting as an agent, we only recognise the net commission retained as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and asset management services. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered.

Net foreign exchange earnings and other financial instruments income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised;
- fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges that we use to manage interest rate and foreign exchange risk on funding instruments;
- the ineffective portions of fair value hedges and cash flow hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments to items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at FVTPL or held for trading;
- amounts released from the FVOCI reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES

	2024 NZ\$m	2023 NZ\$m
Personnel		
Salaries and related costs	1,021	974
Superannuation costs	31	29
Other	38	19
Personnel	1,090	1,022
Premises		
Rent	19	17
Depreciation	74	78
Other	40	37
Premises	133	132
Technology		
Depreciation and amortisation	35	36
Subscription licences and outsourced services	193	186
Other	29	22
Technology	257	244
Other		
Advertising and public relations	39	38
Professional fees	76	80
Freight, stationery, postage and communication	43	46
Charges from ANZ Group	68	63
Other	55	38
Other	281	265
Operating expenses	1,761	1,663



RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to ANZBGL New Zealand, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS – ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that ANZBGL New Zealand expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of government bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when ANZBGL New Zealand has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

4. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	2024 NZ\$m	2023 NZ\$m
Profit before income tax	2,978	3,003
Prima facie income tax expense at 28%	834	841
Tax effect of permanent differences:		
Tax provisions no longer required	-	(3)
Non-assessable income and non-deductible expenditure	12	(6)
Income tax expense	846	832
Current tax expense	911	837
Adjustments recognised in the current year in relation to the current tax of prior years	(1)	(3)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(64)	(2)
Income tax expense	846	832
Effective tax rate	28.4%	27.7%

DEFERRED TAX ASSETS AND LIABILITIES

	2024 NZ\$m	2023 NZ\$m
Deferred tax assets balances comprise temporary differences attributable to:		
Amounts recognised in the income statement:		
Collectively assessed allowances for expected credit losses	222	222
Individually assessed allowances for expected credit losses	19	18
Provision for employee entitlements	55	52
Other provisions	21	24
Software	130	146
Lease liabilities ¹	67	61
Other	14	12
Total	528	535
Amounts recognised directly in other comprehensive income:		
Cash flow hedge reserve	-	21
Total	-	21
Total deferred tax assets (before set-off)	528	556
Set-off of deferred tax balances pursuant to set-off provisions	(109)	(160)
Net deferred tax assets	419	396

	2024 NZ\$m	2023 NZ\$m
Deferred tax liabilities balances comprise temporary differences attributable to:		
Amounts recognised in the income statement:		
Finance leases	-	83
Fixed assets	6	3
Right of use assets ¹	54	46
Other	29	28
Total	89	160
Amounts recognised directly in other comprehensive income:		
Cash flow hedge reserve	20	-
Total	20	-
Total deferred tax liabilities (before set-off)	109	160
Set-off of deferred tax balances pursuant to set-off provisions	(109)	(160)
Net deferred tax liabilities	-	-

¹ Comparative amounts have been adjusted to reflect the adoption of amendments to NZ IAS 12 related to right-of-use assets and lease liabilities that arise from a single transaction.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX (continued)

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax expense is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends	Amount per share	Total dividend NZ\$m
Financial Year 2023		
Dividend paid in March 2023	230.1 cents	870
Dividend paid in September 2023	125.6 cents	475
Dividends paid during the year ended 30 September 2023		1,345
Financial Year 2024		
Dividend paid in March 2024	286.9 cents	1,085
Dividend paid in August 2024	925.5 cents	3,500
Dividend paid in September 2024	412.5 cents	1,560
Dividends paid during the year ended 30 September 2024		6,145

IMPUTATION CREDIT ACCOUNT

	ANZBGL New Zealand		Bank ¹	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Imputation credits available as at 30 September	5,911	5,728	830	1,396

¹ Imputation credits available to the Bank are shown separately as this is relevant for holders of perpetual preference shares (refer to Note 21 Shareholders' equity) issued by the Bank.

The imputation credit balance for ANZBGL New Zealand includes the imputation credit balance in relation to the Trans-Tasman imputation group, the Bank consolidated imputation group and other companies in ANZBGL New Zealand that are not in either of these imputation groups. The imputation credit balance available to ANZBGL New Zealand includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

The imputation credit balance for the Bank reflects the imputation credit balance of the Bank consolidated imputation group. The imputation credit balance available to the Bank includes imputation credits that will arise from the payment of the amount of provision for income tax as at the reporting date.

6. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

ANZBGL New Zealand is organised into three major business segments for segment reporting purposes - Personal, Business & Agri and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

Segment reporting has been updated to reflect minor changes to ANZBGL New Zealand's structure. Comparative amounts have been adjusted to be consistent with the current period's segment definitions.

Personal

Personal provides a full range of banking and wealth management services to consumer and private banking customers. We deliver our services via our internet and app-based digital solutions and a network of branches, mortgage specialists, private bankers and contact centres.

Business & Agri

Business & Agri provides a full range of banking services through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government related entities.

Institutional

The Institutional division services governments, global institutional and corporate customers via the following business units:

- **Transaction Banking** provides customers with working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- **Corporate Finance** provides customers with loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance, and sustainable finance solutions.
- **Markets** provides customers with risk management services in foreign exchange, interest rates, credit, commodities, and debt capital markets in addition to managing ANZBGL New Zealand's interest rate exposure and high quality liquid asset portfolio.

Other

Other includes treasury and back office support functions, none of which constitutes a separately reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

	Personal		Business & Agri		Institutional		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Year ended 30 September	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Net interest income	2,383	2,385	1,013	1,014	753	706	167	134	4,316	4,239
Net fee and commission income										
- Lending fees	8	7	-	1	11	20	-	-	19	28
- Non-lending fees	449	437	217	243	51	51	(2)	(2)	715	729
- Commissions	28	32	-	-	1	1	-	-	29	33
- Funds management income	246	244	-	-	-	-	-	-	246	244
- Fee and commission expense	(345)	(341)	(170)	(189)	-	-	-	-	(515)	(530)
Net fee and commission income	386	379	47	55	63	72	(2)	(2)	494	504
Other income	-	2	-	-	242	271	(269)	(167)	(27)	106
Other operating income	386	381	47	55	305	343	(271)	(169)	467	610
Operating income	2,769	2,766	1,060	1,069	1,058	1,049	(104)	(35)	4,783	4,849
Operating expenses	(1,213)	(1,149)	(276)	(241)	(248)	(236)	(24)	(37)	(1,761)	(1,663)
Profit before credit impairment and income tax	1,556	1,617	784	828	810	813	(128)	(72)	3,022	3,186
Credit impairment release / (charge)	17	(49)	(47)	(73)	(14)	(61)	-	-	(44)	(183)
Profit before income tax	1,573	1,568	737	755	796	752	(128)	(72)	2,978	3,003
Income tax expense	(443)	(439)	(207)	(211)	(223)	(211)	27	29	(846)	(832)
Non-controlling interests	-	-	-	-	-	-	(35)	(27)	(35)	(27)
Profit / (loss) after income tax¹	1,130	1,129	530	544	573	541	(136)	(70)	2,097	2,144
Financial position										
Goodwill	1,042	1,042	695	695	1,269	1,269	-	-	3,006	3,006
Net loans and advances	110,447	106,444	23,952	24,424	17,564	18,759	-	-	151,963	149,627
Customer deposits	91,814	88,086	17,996	18,345	26,353	26,098	-	-	136,163	132,529

¹ Attributable to the shareholders of the Ultimate Parent Bank.

OTHER SEGMENT

The Other segment profit after income tax comprises:

	2024	2023
For the year ended 30 September	NZ\$m	NZ\$m
Personal and Business & Agri central functions	6	3
Group Centre	53	54
Economic hedges	(195)	(127)
Total	(136)	(70)

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to the note disclosures that follow.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under NZ IFRS 9: amortised cost, FVTPL and FVOCI. Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and other balances, as outlined below, that are convertible into cash with an insignificant risk of changes in value and with remaining maturities of three months or less, including reverse repurchase agreements.

	2024 NZ\$m	2023 NZ\$m
Coins, notes and cash at bank	149	155
Securities purchased under agreements to resell in less than 3 months	1,762	668
Balances with central banks	9,451	12,139
Settlement balances receivable within 3 months	272	132
Cash and cash equivalents	11,634	13,094

NOTES TO THE FINANCIAL STATEMENTS

8. TRADING SECURITIES

	2024 NZ\$m	2023 NZ\$m
Government securities	4,869	5,249
Corporate and financial institution securities	707	672
Trading securities	5,576	5,921

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in profit or loss.

Assets disclosed as trading securities are subject to the general classification and measurement policy for financial assets outlined on page 17.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value	Assets	Liabilities	Assets	Liabilities
	2024	2024	2023	2023
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Derivative financial instruments - held for trading	9,243	(10,087)	7,522	(6,517)
Derivative financial instruments - designated in hedging relationships	930	(1,063)	1,225	(1,770)
Derivative financial instruments	10,173	(11,150)	8,747	(8,287)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract – sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

ANZBGL New Zealand's derivative financial instruments have been categorised as follows:

Trading	Derivatives held in order to: <ul style="list-style-type: none"> • meet customer needs for managing their own risks. • manage risks in ANZBGL New Zealand that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in hedging relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: <ul style="list-style-type: none"> • hedges of ANZBGL New Zealand's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

ANZBGL New Zealand offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

ANZBGL New Zealand offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign exchange	Currencies at current or determined rates of exchange.
Interest rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa, and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

ANZBGL New Zealand uses central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

DERIVATIVE FINANCIAL INSTRUMENTS - HELD FOR TRADING

The majority of ANZBGL New Zealand's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading are:

Fair value	Assets	Liabilities	Assets	Liabilities
	2024	2024	2023	2023
	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Interest rate contracts				
Forward rate agreements	-	-	1	(2)
Futures contracts	3	(70)	38	(2)
Swap agreements	3,012	(2,902)	1,521	(1,638)
Options	1	(1)	-	(10)
Total	3,016	(2,973)	1,560	(1,652)
Foreign exchange contracts				
Spot and forward contracts	2,355	(2,954)	1,855	(1,739)
Swap agreements	3,793	(4,080)	4,046	(3,070)
Options	33	(33)	29	(27)
Total	6,181	(7,067)	5,930	(4,836)
Commodity contracts and credit default swaps	46	(47)	32	(29)
Derivative financial instruments - held for trading	9,243	(10,087)	7,522	(6,517)

DERIVATIVE FINANCIAL INSTRUMENTS - DESIGNATED IN HEDGING RELATIONSHIPS

Under the accounting policy choice provided by NZ IFRS 9, ANZBGL New Zealand has continued to apply the hedge accounting requirements of NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39).

ANZBGL New Zealand uses two types of hedge accounting relationships:

	Fair value hedge	Cash flow hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: <ul style="list-style-type: none"> • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives. 	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.
Recognition of ineffective hedge portion	Recognised immediately in other operating income.	
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments designated in hedging relationships are:

	2024			2023		
	Nominal amount NZ\$m	Assets NZ\$m	Liabilities NZ\$m	Nominal amount NZ\$m	Assets NZ\$m	Liabilities NZ\$m
Fair value hedges						
Interest rate swap agreements	29,126	661	(740)	28,408	988	(1,361)
Cash flow hedges						
Interest rate swap agreements	30,383	269	(323)	36,022	237	(409)
Derivative financial instruments - designated in hedging relationships	59,509	930	(1,063)	64,430	1,225	(1,770)

The maturity profile of the nominal amounts of our hedging instruments held is:

Nominal amount	Average interest rate	Less than 3 months NZ\$m	3 to 12 months NZ\$m	1 to 5 years NZ\$m	After 5 years NZ\$m	Total NZ\$m
As at 30 September 2024						
Fair value hedges						
Interest rate	2.20%	373	1,880	17,863	9,010	29,126
Cash flow hedges						
Interest rate	4.62%	6,025	6,495	15,727	2,136	30,383
As at 30 September 2023						
Fair value hedges						
Interest rate	1.95%	434	2,695	15,341	9,938	28,408
Cash flow hedges						
Interest rate	3.59%	4,747	9,389	19,462	2,424	36,022

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness						Amount reclassified from the cash flow hedge reserve to profit or loss ⁴	
	Change in value of hedging instrument ²		Change in value of hedged item		Hedge ineffectiveness recognised in profit or loss ³		2024 NZ\$m	2023 NZ\$m
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m		
Fair value hedges¹								
Interest rate	(9)	(48)	12	71	3	23	-	-
Cash flow hedges¹								
Interest rate	149	(114)	(150)	113	-	(1)	(1)	1

1 All hedging instruments are classified as derivative financial instruments.

2 Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.

3 Recognised in other operating income.

4 Recognised in net interest income and other operating income.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to ANZBGL New Zealand's fair value hedges are:

	Balance sheet presentation	Hedged risk	Carrying amount		Accumulated fair value hedge adjustments on the hedged item	
			Assets NZ\$m	Liabilities NZ\$m	Assets NZ\$m	Liabilities NZ\$m
As at 30 September 2024						
Fixed rate debt issuance	Debt issuances	Interest rate	-	(16,352)	-	447
Fixed rate investment securities at FVOCI ¹	Investment securities	Interest rate	12,443	-	39	-
Total			12,443	(16,352)	39	447
As at 30 September 2023						
Fixed rate debt issuance	Debt issuances	Interest rate	-	(18,728)	-	1,315
Fixed rate investment securities at FVOCI ¹	Investment securities	Interest rate	9,395	-	(837)	-
Total			9,395	(18,728)	(837)	1,315

¹ The carrying amount of debt instruments at FVOCI does not include the fair value hedge adjustment. The fair value hedge adjustment is included in other comprehensive income.

The hedged items in relation to ANZBGL New Zealand's cash flow hedges are:

	Hedged risk	Continuing hedges		Discontinued hedges	
		2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Floating rate loans and advances	Interest rate	186	(358)	-	-
Floating rate customer deposits	Interest rate	(114)	283	-	(1)

All cash flow hedges relate to hedges of interest rate risk and the movements in the cash flow hedge reserve are shown in the statement of changes in equity on page 7.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION AND MEASUREMENT

Recognition	<p>Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability.</p> <p>Valuation adjustments are integral in determining the fair value of derivatives. This includes:</p> <ul style="list-style-type: none"> • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	<p>We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when ANZBGL New Zealand's contractual obligations are discharged, cancelled or expired.</p> <p>With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.</p>
Impact on the income statement	<p>The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated into a hedge accounting relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss.</p> <p>For an instrument designated in a hedge accounting relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 20 for details of the recognition approach applied for each type of hedge accounting relationship.</p> <p>Sources of hedge accounting ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.</p>
Hedge effectiveness	<p>To qualify for hedge accounting under NZ IAS 39, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met:</p> <ul style="list-style-type: none"> • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). <p>ANZBGL New Zealand monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.</p>

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT SECURITIES

	2024 NZ\$m	2023 NZ\$m
Investment securities measured at FVOCI		
Debt securities	13,290	10,957
Equity securities	5	1
Total	13,295	10,958

The maturity profile of investment securities is as follows:

	Less than 3 months NZ\$m	3 to 12 months NZ\$m	1 to 5 years NZ\$m	After 5 years NZ\$m	No maturity NZ\$m	Total NZ\$m
As at 30 September 2024						
Government securities	126	829	7,326	4,543	-	12,824
Corporate and financial institution securities	1	50	415	-	-	466
Equity securities	-	-	-	-	5	5
Total	127	879	7,741	4,543	5	13,295
As at 30 September 2023						
Government securities	492	512	6,423	3,115	-	10,542
Corporate and financial institution securities	29	-	386	-	-	415
Equity securities	-	-	-	-	1	1
Total	521	512	6,809	3,115	1	10,958



RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate ANZBGL New Zealand's customer lending activities are classified as loans and advances (rather than investment securities) to better reflect the substance of the arrangement.

Equity investments not held for trading purposes may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as investment securities are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with 'Investment securities - debt securities at FVOCI' are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for expected credit losses, and the allowance for expected credit loss is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.



KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

11. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for ANZBGL New Zealand:

	Note	2024 NZ\$m	2023 NZ\$m
Overdrafts		1,091	973
Credit cards		1,243	1,262
Term loans - housing		111,104	107,346
Term loans - non-housing		38,755	40,345
Subtotal		152,193	149,926
Unearned income		(21)	(28)
Capitalised brokerage and other origination costs		516	459
Gross loans and advances		152,688	150,357
Allowance for expected credit losses	12	(725)	(730)
Net loans and advances		151,963	149,627
<i>Residual contractual maturity:</i>			
Within one year		25,276	27,937
More than one year		126,687	121,690
Net loans and advances		151,963	149,627



RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities ANZBGL New Zealand provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses.

ANZBGL New Zealand enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When ANZBGL New Zealand retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on ANZBGL New Zealand's balance sheet, however if substantially all the risks and rewards are transferred, ANZBGL New Zealand derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, then ANZBGL New Zealand derecognises the asset. If control over the asset is not lost, then ANZBGL New Zealand continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 17. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 12 Allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2024			2023		
	Collectively assessed NZ\$m	Individually assessed NZ\$m	Total NZ\$m	Collectively assessed NZ\$m	Individually assessed NZ\$m	Total NZ\$m
Net loans and advances at amortised cost	661	64	725	670	60	730
Off-balance sheet commitments	133	3	136	122	5	127
Total	794	67	861	792	65	857

The following tables present the movement in the allowance for expected credit losses (ECL) for the year.

Net loans and advances

Allowance for ECL is included in net loans and advances.

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
As at 1 October 2022	199	311	59	77	646
Transfer between stages	19	(19)	-	-	-
New and increased provisions (net of releases)	(25)	106	20	94	195
Write-backs	-	-	-	(22)	(22)
Bad debts written-off (excluding recoveries)	-	-	-	(86)	(86)
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2023	193	398	79	60	730
Transfer between stages	36	(40)	(1)	5	-
New and increased provisions (net of releases)	(42)	12	26	99	95
Write-backs	-	-	-	(49)	(49)
Bad debts written-off (excluding recoveries)	-	-	-	(41)	(41)
Discount unwind	-	-	-	(10)	(10)
As at 30 September 2024	187	370	104	64	725

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in other provisions.

As at 1 October 2022	66	31	3	5	105
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of releases)	12	10	-	-	22
As at 30 September 2023	80	39	3	5	127
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of releases)	(10)	21	-	(2)	9
As at 30 September 2024	74	56	3	3	136

The collectively assessed allowance for ECL increased by NZ\$2 million attributable to: increases of NZ\$12 million for downside risks associated with the economic outlook, NZ\$70 million due to portfolio credit risk profile changes reflecting the revised economic scenario weightings and enhanced model methodology, NZ\$23 million in large exposure, model risk and other adjustment allowances, offset by a release of NZ\$103 million management temporary adjustments.

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

	2024 NZ\$m	2023 NZ\$m
New and increased provisions (net of releases)		
- Collectively assessed	2	123
- Individually assessed	102	94
Write-backs	(49)	(22)
Recoveries of amounts previously written-off	(11)	(12)
Total credit impairment charge	44	183

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance for ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance for ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) – the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) – the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) – the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, ANZBGL New Zealand considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, ANZBGL New Zealand uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects ANZBGL New Zealand's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to ANZBGL New Zealand, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of ANZBGL New Zealand's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, ANZBGL New Zealand considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

ANZBGL New Zealand uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, ANZBGL New Zealand considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is our view of future macroeconomic conditions. It reflects the same basis of assumptions used by management for strategic planning and budgeting, and also informs the Banking Group's Internal Capital Adequacy Assessment Process which is the process ANZBGL New Zealand applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe scenario assumes a deep economic downturn, both domestically and globally. We forecast macroeconomic variables for such a scenario, reflecting a plausible scenario unfolding over a 5-year period given current economic conditions. These assumptions have been revised in 2024, reflecting an escalation of geopolitical tensions, persistent inflation, and worsening national budget positions.

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, Gross Domestic Product (GDP) growth rates, residential property price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)


KEY JUDGEMENTS AND ESTIMATES
Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, ANZBGL New Zealand makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the uncertainty as to how various factors might impact the global economy and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. ANZBGL New Zealand's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement / assumption	Description	Considerations for the year ended 30 September 2024
Determining when a SICR has occurred or reversed	<p>In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in it moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the PD in the next 12 months, to an allowance for lifetime ECL. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance.</p> <p>The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. ANZBGL New Zealand monitors the effectiveness of SICR criteria on an ongoing basis.</p>	The determination of SICR was consistent with prior periods.
Measuring both 12-month and lifetime ECL	<p>The PD, LGD and EAD factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.</p> <p>In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.</p>	<p>The PD, LGD and EAD models are subject to ANZBGL New Zealand's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality.</p> <p>There were no material changes to the policy.</p>
Base case economic forecast	ANZBGL New Zealand derives a forward-looking 'base case' economic scenario which reflects our view of future macroeconomic conditions.	<p>There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs.</p> <p>As at 30 September 2024, the base case assumptions have been updated to reflect a moderation in inflation and an easing in labour market conditions. The economy is forecast to continue to grow below trend. Despite increased household disposable incomes, limited flow-through to household consumption is forecast.</p> <p>The expected outcomes of key economic drivers for the base case scenario at 30 September 2024 are described below under the heading 'Base case economic forecast assumptions'.</p>

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES

Judgement / assumption	Description	Considerations for the year ended 30 September 2024
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)¹	<p>Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.</p> <p>The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.</p>	<p>Probability weightings shifted from downside to upside scenarios during the current period reflecting increasing confidence in economic recovery with high-frequency data providing early indication that the economy is responding to monetary easing.</p> <p>The probability weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.</p>
Management temporary adjustments	<p>Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.</p>	<p>Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates. Management overlays have been made for risks particular to mortgages and commercial lending.</p> <p>Management temporary adjustments total NZ\$73 million (September 2023: NZ\$176 million).</p> <p>Management has considered and concluded no temporary adjustment is required at 30 September 2024 to the ECL allowance in relation to climate- or weather-related events during the period.</p>

¹ The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

Base case economic forecast assumptions

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of our view of future macroeconomic conditions, used at 30 September 2024 are set out below. For years following the near term forecasts below, the ECL models apply simplified assumptions for the economic conditions to calculate lifetime loss.

New Zealand	Forecast calendar year		
	2024	2025	2026
GDP (annual % change)	-0.1%	0.8%	2.2%
Unemployment rate (annual average)	4.7%	5.4%	5.4%
Residential property prices (annual % change)	-1.0%	4.5%	5.0%
Consumer price index (CPI) (annual % change)	3.1%	2.2%	1.8%

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)


KEY JUDGEMENTS AND ESTIMATES
Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

The upside scenario weighting has increased to 3.75% (2023: 0.0%), and the downside scenario weighting has decreased to 33.75% (2023: 37.5%).

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. ANZBGL New Zealand considers these weightings to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within ANZBGL New Zealand's credit portfolios. The weightings applied are set out below:

	2024	2023
Base	50.0%	50.0%
Upside	3.75%	0.0%
Downside	33.75%	37.5%
Severe downside	12.5%	12.5%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, ECL reported by ANZBGL New Zealand should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it at 30 September 2024:

	ECL NZ\$m	Impact on ECL NZ\$m
If 1% of Stage 1 facilities were included in Stage 2	803	9
If 1% of Stage 2 facilities were included in Stage 1	793	(1)
100% upside scenario	284	(510)
100% base scenario	420	(374)
100% downside scenario	757	(37)
100% severe downside scenario	1,961	1,167

Individually assessed allowance for expected credit losses

In estimating individually assessed ECL, ANZBGL New Zealand makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the uncertainties described above and in Note 1 About our financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the note disclosures that follow.

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or FVTPL when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
 - a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
 - b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

13. DEPOSITS AND OTHER BORROWINGS

	Note	2024 NZ\$m	2023 NZ\$m
Term deposits		59,308	54,198
On demand and short term deposits		60,983	60,673
Deposits not bearing interest		15,872	17,658
Total customer deposits		136,163	132,529
Certificates of deposit		1,174	2,328
Commercial paper		1,419	2,253
Securities sold under repurchase agreements		3,750	4,429
Borrowings from Ultimate Parent Bank and Immediate Parent Company ¹	26	2,817	2,854
Deposits and other borrowings		145,323	144,393
<i>Residual contractual maturity:</i>			
Within one year		136,670	135,961
More than one year		8,653	8,432
Deposits and other borrowings		145,323	144,393
<i>Carried on balance sheet at:</i>			
Amortised cost		142,882	141,511
Fair value through profit or loss (designated on initial recognition)		2,441	2,882
Deposits and other borrowings		145,323	144,393

¹ Includes borrowings from the Immediate Parent Company of NZ\$1,766 million which is subordinated to the A\$800 million perpetual subordinated debt issued by ANZ Holdings (New Zealand) Limited.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at FVTPL.

Refer to Note 16 Fair value of financial assets and financial liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in ANZBGL New Zealand's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with ANZBGL New Zealand. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in profit or loss.

14. DEBT ISSUANCES

ANZBGL New Zealand uses a variety of funding programmes to issue unsubordinated debt (including senior debt and covered bonds) and subordinated debt. The difference between unsubordinated debt and subordinated debt is that, in a winding up of the issuer, holders of unsubordinated debt rank in priority to holders of subordinated debt. Subordinated debt will be repaid only after the repayment of claims of depositors and other creditors (including holders of unsubordinated debt) of that issuer.

	2024 NZ\$m	2023 NZ\$m
Senior debt	12,349	13,466
Covered bonds	2,156	3,373
Total unsubordinated debt	14,505	16,839
Subordinated debt	3,044	1,655
Total debt issued	17,549	18,494
<i>Residual contractual maturity:</i>		
Within one year	3,213	3,773
More than one year	14,336	14,721
Total debt issued	17,549	18,494

TOTAL DEBT ISSUED BY CURRENCY

The table below shows ANZBGL New Zealand's issued debt by currency of issue, which broadly represents the debt holders' base location.

	2024 NZ\$m	2023 NZ\$m
AUD Australian dollars	907	327
EUR Euro	5,892	6,053
NZD New Zealand dollars	1,097	1,646
CHF Swiss Francs	743	1,117
USD United States dollars	8,910	9,351
Total debt issued	17,549	18,494

The Bank has guaranteed the payment of interest and principal of covered bonds issued by its subsidiary ANZ New Zealand (Int'l) Limited. This obligation is guaranteed by ANZNZ Covered Bond Trust Limited (the Covered Bond Guarantor), solely in its capacity as trustee of ANZNZ Covered Bond Trust (the Covered Bond Trust). The Covered Bond Trust is a member of ANZBGL New Zealand. The Covered Bond Guarantor is not a member of ANZBGL New Zealand and has no credit ratings applicable to its long term senior unsecured obligations. The covered bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Refer to page 50 for the amount of assets of the ANZ Covered Bond Trust pledged as security for covered bonds.

SUBORDINATED DEBT

The table below shows the subordinated debt on issue at 30 September 2024 and 30 September 2023:

Currency	Face value	Issue date	Maturity	Next optional call date	Interest rate	2024 NZ\$m	2023 NZ\$m
Term subordinated debt issued by the Bank							
NZD	600m	Sep 2021	Sep 2031	Sep 2026	Fixed	597	596
USD	500m	Aug 2022	Aug 2032	Aug 2027	Fixed	771	774
USD	500m	Jul 2024	Jul 2034	Jul 2029	Fixed	812	-
Perpetual subordinated debt issued by ANZ Holdings (New Zealand) Limited¹							
AUD	265m	Sep 2013	Mar 2026	n/a	Floating	-	285
AUD	800m	Sep 2024	Perpetual	Oct 2030	Floating	864	-
Subordinated debt²						3,044	1,655

¹ A\$265 million subordinated debt was redeemed on 25 June 2024.

² Carrying amounts are net of issuance costs and, where applicable, include fair value hedge accounting adjustments.



RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at FVTPL. Interest expense on debt issuances is recognised using the effective interest rate method. Where ANZBGL New Zealand enters into a fair value hedge accounting relationship, the fair value attributable to the hedged risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at FVTPL. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to ANZBGL New Zealand's business of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of ANZBGL New Zealand's material risks.

This note details ANZBGL New Zealand's financial risk management policies, processes and quantitative disclosures in relation to the material financial risks:

Material financial risks	Key sections applicable to this risk
<p>Credit risk</p> <p>The risk of financial loss resulting from:</p> <ul style="list-style-type: none"> • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. <p>Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change, changes to laws, regulations, or other policies adopted by governments or regulatory authorities. Climate change impacts include both physical risks (climate- or weather-related events) and transition risks resulting from the adjustment to a low emissions economy. Transition risks include resultant changes to laws, regulations and policies noted above.</p>	<ul style="list-style-type: none"> • Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
<p>Market risk</p> <p>The risk to ANZBGL New Zealand's earnings arising from:</p> <ul style="list-style-type: none"> • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices. 	<ul style="list-style-type: none"> • Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk – structural exposure
<p>Liquidity and funding risk</p> <p>The risk that ANZBGL New Zealand is unable to meet its payment obligations as they fall due, including:</p> <ul style="list-style-type: none"> • repaying depositors or maturing wholesale debt; or • ANZBGL New Zealand having insufficient capacity to fund increases in assets. 	<ul style="list-style-type: none"> • Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity portfolio management • Funding position • Residual contractual maturity analysis of ANZBGL New Zealand's liabilities

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

The Board is responsible for establishing and overseeing ANZBGL New Zealand's Risk Management Framework (RMF). The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with ANZBGL New Zealand's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of ANZBGL New Zealand including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZBGL New Zealand is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZBGL New Zealand's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZBGL New Zealand identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

ANZBGL New Zealand, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZBGL New Zealand, risk is everyone's responsibility.

ANZBGL New Zealand has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZBGL New Zealand's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

15. FINANCIAL RISK MANAGEMENT (continued)

Internal Audit Function

Internal Audit is a function independent of management whose role is to provide the Board and management with an effective and independent appraisal of the internal controls established by management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Internal Audit is direct to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor. The Internal Audit Plan is developed using a risk based approach and is reviewed quarterly. The Audit Committee approves the plan.

All audit activities are conducted in accordance with international internal auditing standards, and the results of the activities are reported to the Audit Committee and management. These results influence the performance assessment of business heads. Furthermore, Internal Audit monitors the remediation of audit issues and reports the current status of any outstanding audits.

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of ANZBGL New Zealand's major sources of income. As this activity is also a principal risk, ANZBGL New Zealand dedicates considerable resources to its management. ANZBGL New Zealand assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities.

Our credit risk management framework ensures we apply a consistent approach across ANZBGL New Zealand when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- approves the credit risk appetite and credit strategies; and
- approves policies and control frameworks for the management of ANZBGL New Zealand's credit risk.

The BRC delegates responsibility for day-to-day management of credit risk and compliance with credit risk policies to the Bank's Credit Risk Management Committee (CRMC).

We quantify credit risk through an internal credit rating system (Master Scale) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting ANZBGL New Zealand's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which ANZBGL New Zealand can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover such factors as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogeneous pools, and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate ANZBGL New Zealand's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, internal capital allocation, and credit provisioning.

All customers with whom ANZBGL New Zealand has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

We use ANZBGL New Zealand's internal CCR to manage the credit quality of financial assets. To enable wider comparisons, ANZBGL New Zealand's CCRs are mapped to external rating agency scales as follows:

Credit quality description	Internal CCR	ANZBGL New Zealand customer requirements	Moody's Ratings	S&P Global Ratings
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 – Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	n/a	n/a

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount ANZBGL New Zealand would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded ¹		Maximum exposure to credit risk	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
On-balance sheet positions						
Net loans and advances	151,963	149,627	-	-	151,963	149,627
Other financial assets:						
Cash and cash equivalents	11,634	13,094	130	155	11,504	12,939
Settlement balances receivable	574	401	-	-	574	401
Collateral paid	1,041	801	-	-	1,041	801
Trading securities	5,576	5,921	-	-	5,576	5,921
Derivative financial instruments	10,173	8,747	-	-	10,173	8,747
Investment securities	13,295	10,958	-	-	13,295	10,958
Other financial assets ²	1,113	996	-	-	1,113	996
Total other financial assets	43,406	40,918	130	155	43,276	40,763
Subtotal	195,369	190,545	130	155	195,239	190,390
Off-balance sheet positions						
Undrawn and contingent facilities ³	28,453	28,477	-	-	28,453	28,477
Total	223,822	219,022	130	155	223,692	218,867

1 Coins, notes and cash at bank within cash and cash equivalents were excluded as they do not have credit risk exposure.

2 Other financial assets mainly comprise accrued interest and acceptances.

3 Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT QUALITY

An analysis of ANZBGL New Zealand's credit risk exposure is presented in the following tables based on ANZBGL New Zealand's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements.

Net loans and advances	Stage 3				Total NZ\$m
	Stage 1 NZ\$m	Stage 2 NZ\$m	Collectively assessed NZ\$m	Individually assessed NZ\$m	
As at 30 September 2024					
Strong	73,720	1,550	-	-	75,270
Satisfactory	59,983	6,912	-	-	66,895
Weak	4,924	3,477	-	-	8,401
Defaulted	-	-	1,257	370	1,627
Subtotal	138,627	11,939	1,257	370	152,193
Allowance for ECL	(187)	(370)	(104)	(64)	(725)
Net loans and advances at amortised cost	138,440	11,569	1,153	306	151,468
Coverage ratio	0.13%	3.10%	8.27%	17.30%	0.48%
Unearned income					(21)
Capitalised brokerage and other origination costs					516
Net carrying amount					151,963

As at 30 September 2023					
Strong	117,117	3,656	-	-	120,773
Satisfactory	20,004	5,032	-	-	25,036
Weak	505	2,432	-	-	2,937
Defaulted	-	-	893	287	1,180
Subtotal	137,626	11,120	893	287	149,926
Allowance for ECL	(193)	(398)	(79)	(60)	(730)
Net loans and advances at amortised cost	137,433	10,722	814	227	149,196
Coverage ratio	0.14%	3.58%	8.85%	20.91%	0.49%
Unearned income					(28)
Capitalised brokerage and other origination costs					459
Net carrying amount					149,627

Other financial assets	2024 NZ\$m	2023 NZ\$m
Strong	43,237	40,593
Satisfactory	32	52
Weak	7	118
Defaulted	-	-
Total carrying amount	43,276	40,763

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

Off-balance sheet commitments - undrawn and contingent facilities

	Stage 3				
	Stage 1 NZ\$m	Stage 2 NZ\$m	Collectively assessed NZ\$m	Individually assessed NZ\$m	Total NZ\$m
As at 30 September 2024					
Strong	23,450	196	-	-	23,646
Satisfactory	3,530	1,087	-	-	4,617
Weak	30	260	-	-	290
Defaulted	-	-	26	10	36
Gross undrawn and contingent facilities	27,010	1,543	26	10	28,589
Allowance for ECL included in other provisions (refer to Note 20)	(74)	(56)	(3)	(3)	(136)
Net undrawn and contingent facilities	26,936	1,487	23	7	28,453
Coverage ratio	0.27%	3.63%	11.54%	30.00%	0.48%
As at 30 September 2023					
Strong	24,088	202	-	-	24,290
Satisfactory	3,343	701	-	-	4,044
Weak	8	234	-	-	242
Defaulted	-	-	15	13	28
Gross undrawn and contingent facilities	27,439	1,137	15	13	28,604
Allowance for ECL included in other provisions (refer to Note 20)	(80)	(39)	(3)	(5)	(127)
Net undrawn and contingent facilities	27,359	1,098	12	8	28,477
Coverage ratio	0.29%	3.43%	20.00%	38.46%	0.44%

15. FINANCIAL RISK MANAGEMENT (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. ANZBGL New Zealand monitors its credit portfolio to manage risk concentration and rebalance the portfolio. ANZBGL New Zealand also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. The significant categories shown are the level one New Zealand Standard Industry Output Categories (NZSIOC), except that Agriculture is shown separately.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
New Zealand residents								
Agriculture	15,489	15,400	82	73	745	926	16,316	16,399
Forestry and fishing, agriculture services	557	549	4	6	94	100	655	655
Mining	158	181	2	12	226	250	386	443
Manufacturing	2,444	2,486	94	185	1,952	1,943	4,490	4,614
Electricity, gas, water and waste services	589	659	290	274	1,383	1,335	2,262	2,268
Construction	961	904	6	4	969	951	1,936	1,859
Wholesale trade	1,439	1,572	39	50	1,578	1,580	3,056	3,202
Retail trade and accommodation	2,902	2,944	28	18	621	606	3,551	3,568
Transport, postal and warehousing	1,043	1,156	89	77	706	591	1,838	1,824
Finance and insurance services	864	972	12,999	15,471	1,407	1,730	15,270	18,173
Rental, hiring & real estate services	37,143	37,737	1,960	2,024	1,996	1,879	41,099	41,640
Professional, scientific, technical, administrative and support services	1,054	981	8	9	440	422	1,502	1,412
Public administration and safety	209	201	10,938	8,910	845	776	11,992	9,887
Health care and social assistance	915	1,117	9	26	294	270	1,218	1,413
Households	83,116	79,581	427	370	13,760	13,814	97,303	93,765
Other ¹	1,154	1,335	109	112	1,384	1,362	2,647	2,809
Subtotal	150,037	147,775	27,084	27,621	28,400	28,535	205,521	203,931
Overseas								
Finance and insurance services	66	76	16,172	13,092	189	69	16,427	13,237
Households	1,512	1,489	8	7	-	-	1,520	1,496
All other non-residents	578	586	12	43	-	-	590	629
Subtotal	2,156	2,151	16,192	13,142	189	69	18,537	15,362
Gross subtotal	152,193	149,926	43,276	40,763	28,589	28,604	224,058	219,293
Allowance for ECL	(725)	(730)	-	-	(136)	(127)	(861)	(857)
Subtotal	151,468	149,196	43,276	40,763	28,453	28,477	223,197	218,436
Unearned income	(21)	(28)	-	-	-	-	(21)	(28)
Capitalised brokerage and other origination	516	459	-	-	-	-	516	459
Maximum exposure to credit risk	151,963	149,627	43,276	40,763	28,453	28,477	223,692	218,867

¹ Other includes exposures to information media and telecommunications; education and training; arts and recreation services; and other services.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans – housing and personal	<p>Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits.</p> <p>Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.</p>
Loans – business	<p>Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets.</p> <p>If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.</p>
Other financial assets	
Trading securities, investment securities, derivatives and other financial assets	<p>For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation.</p> <p>For derivatives we will have large individual exposures to single name counterparties such as central clearing houses, financial institutions, and other institutional clients. Open derivative positions with these counterparties are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily through the respective Credit Support Annex (CSA) agreements. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZBGL New Zealand when our position is out of the money). Credit risk will remain where the full amount of the derivative exposure is not covered by any collateral.</p>
Off-balance sheet positions	
Undrawn and contingent facilities	<p>Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.</p>

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Maximum exposure to credit risk		Total value of collateral ¹		Unsecured portion of credit exposure	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Net loans and advances	151,963	149,627	144,843	142,180	7,120	7,447
Other financial assets	43,276	40,763	3,605	3,232	39,671	37,531
Off-balance sheet positions	28,453	28,477	15,700	15,542	12,753	12,935
Total	223,692	218,867	164,148	160,954	59,544	57,913

¹ In estimating the value of collateral for housing loans, customers are assumed to be meeting their insurance obligations for the properties over which the mortgages are secured.

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from ANZBGL New Zealand's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads, commodities, equities and the volatility within these asset classes.

The BRC delegates responsibility for day-to-day management of both market risk and compliance with market risk policies to the Bank's Asset & Liability Management Committee (ALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the ANZBGL New Zealand level. The Market & Treasury Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded market risk	Non-traded market risk
<p>Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are:</p> <ul style="list-style-type: none"> • Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. • Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. • Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. • Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. • Equity risk – potential loss arising from changes in equity prices. 	<p>Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.</p>

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures ANZBGL New Zealand's possible daily loss based on historical market movements.

ANZBGL New Zealand's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using a one-day holding period. For stressed VaR we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZBGL New Zealand measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2024				2023			
	As at NZ\$m	High for year NZ\$m	Low for year NZ\$m	Average for year NZ\$m	As at NZ\$m	High for year NZ\$m	Low for year NZ\$m	Average for year NZ\$m
Traded value at risk 99% confidence								
Foreign exchange	0.8	1.4	0.3	0.8	0.8	1.6	0.5	0.9
Interest rate	1.7	3.8	0.8	1.5	1.7	6.2	1.1	2.0
Credit	0.9	1.1	0.1	0.7	1.0	1.1	0.4	0.7
Diversification benefit ¹	(1.8)	n/a	n/a	(1.0)	(1.8)	n/a	n/a	(1.3)
Total VaR	1.6	4.8	1.2	2.0	1.7	6.7	1.2	2.3

¹ The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for ANZBGL New Zealand as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of ANZBGL New Zealand's banking book, while ensuring ANZBGL New Zealand maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on ANZBGL New Zealand's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for ANZBGL New Zealand.

	2024				2023			
	As at NZ\$m	High for year NZ\$m	Low for year NZ\$m	Average for year NZ\$m	As at NZ\$m	High for year NZ\$m	Low for year NZ\$m	Average for year NZ\$m
Non-traded value at risk 99% confidence								
Total VaR	29.4	37.4	26.2	28.8	31.2	35.3	24.2	30.7

We undertake scenario analysis to stress test the impact of extreme events on ANZBGL New Zealand's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	2024	2023
Impact of 1% rate shock on the next 12 months' net interest income		
As at period end	-0.4%	0.1%
Maximum exposure	1.1%	1.4%
Minimum exposure	-0.6%	-0.7%
Average exposure (in absolute terms)	0.4%	0.2%

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Where it is considered appropriate, ANZBGL New Zealand takes out economic hedges against larger foreign exchange denominated expenditure streams (primarily Australian Dollar, US Dollar and US Dollar correlated). The primary objective of hedging these streams is to protect against a significant decrease in shareholder value due to negative impacts of foreign exchange rate movements.

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that ANZBGL New Zealand:

- is unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding is overseen by ALCO following delegation from the BRC. Within an overall framework established by the BRC, Treasury and Market & Treasury Risk have responsibility for the control of funding and liquidity risk at ANZBGL New Zealand level. Liquidity and funding risks are governed by a set of principles approved by the Risk Committees of the Bank's and Ultimate Parent Bank's Boards that include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring the ability to meet 'survival horizons' under New Zealand specific and general market liquidity stress scenarios to meet cash flow obligations over the short to medium term;
- maintaining strength in the balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing a detailed contingency plan to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY AND FUNDING RISK

Supervision and regulation

RBNZ requires the Bank to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing liquidity. This also includes a formal contingency plan for dealing with a liquidity crisis. The Banking Group is required to meet one week and one month liquidity mismatch ratios and a one year core funding ratio each day.

Scenario modelling

A key component of ANZBGL New Zealand's liquidity management framework is scenario modelling of a range of regulatory and internal liquidity metrics.

Potential severe liquidity crisis scenarios that model the behaviour of cash flows where there is a problem (real or perceived) may include, but are not limited to, operational issues, doubts about solvency, or adverse credit rating changes. Under these scenarios ANZBGL New Zealand may have significant difficulty rolling over or replacing funding. ANZBGL New Zealand's liquidity management framework requires sufficient high quality liquid assets to be held to meet its liquidity needs for the following one month under the modelled scenarios.

As at 30 September 2024, ANZBGL New Zealand was operating above the required minimums for the modelled scenarios.

Structural balance sheet metrics

The Banking Group's liquidity management framework also encompasses structural balance sheet metrics such as the RBNZ's core funding ratio. The core funding ratio is designed to limit the amount of wholesale funding required to be rolled over within a one year timeframe and so interacts with the modelled liquidity scenarios to maintain the Banking Group's liquidity position.

Wholesale funding

The Banking Group's wholesale funding strategy is designed to deliver a sustainable portfolio of wholesale funds that balances cost efficiency with targeting diversification by markets, investors, currencies, maturities and funding structures. Short-term and long-term wholesale funding is managed and executed by Treasury.

The Banking Group also uses maturity concentration limits under the wholesale funding and liquidity management framework. Maturity concentration limits ensure that the Banking Group is not required to issue large volumes of new wholesale funding within a short time period to replace maturing wholesale funding. Funding instruments used to meet the wholesale borrowing requirement must be on a pre-established list of approved products.

Funding capacity and debt issuance planning

The Banking Group adopts a conservative approach to determine its funding capacity. Annually, a funding plan is approved by the Bank's Board. The plan is supplemented by regular updates and is linked to the Banking Group's three-year strategic planning cycle.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY PORTFOLIO MANAGEMENT

ANZBGL New Zealand holds a diversified portfolio of cash and high quality liquid securities primarily to support liquidity risk management. The size of ANZBGL New Zealand's liquidity portfolio is determined with consideration of the amount required to meet the requirements of its internal and regulatory liquidity scenario metrics.

	2024 NZ\$m	2023 NZ\$m
Central and local government bonds	9,684	6,739
Government treasury bills	207	1,190
Certificates of deposit	359	318
Other bonds	8,205	8,193
Securities eligible to be accepted as collateral in repurchase transactions	18,455	16,440
Cash and balances with central banks	9,723	12,362
Total liquidity portfolio	28,178	28,802

Assets held in ANZBGL New Zealand's liquidity portfolio are all denominated in New Zealand dollars and include balances held with RBNZ and securities issued by the New Zealand Government, supranational agencies, highly rated banks, state owned enterprises, local authorities (including through a funding authority) and highly rated corporates.

The Bank also held unencumbered internal residential mortgage backed securities (RMBS) which would be accepted as collateral by RBNZ in repurchase transactions. These holdings would entitle the Bank to enter into repurchase transactions with RBNZ with a value of NZ\$10,480 million at 30 September 2024 (2023: NZ\$10,776 million).

RBNZ Term Lending Facility (TLF) and Funding for Lending Programme (FLP)

- Between May 2020 and July 2021, RBNZ made funds available under the TLF to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- Between December 2020 and December 2022, RBNZ made funds available under the FLP to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR).

As at 30 September 2024, the Bank had drawn NZ\$228 million (2023: NZ\$300 million) under the TLF and NZ\$2,500 million (2023: NZ\$3,500 million) under the FLP. These amounts are included in securities sold under repurchase agreements in Note 13 Deposits and other borrowings.

Liquidity crisis contingency planning

ANZBGL New Zealand maintains a liquidity crisis contingency plan to define an approach for analysing and responding to a liquidity-threatening event. The framework includes:

- the establishment of crisis severity/stress levels;
- clearly assigned crisis roles and responsibilities;
- early warning signals indicative of an approaching crisis, and mechanisms to monitor and report these signals;
- action plans, and courses of action for altering asset and liability behaviour;
- procedures for crisis management reporting, and covering cash-flow shortfalls; and
- assigned responsibilities for internal and external communications.

FUNDING POSITION

ANZBGL New Zealand actively uses balance sheet disciplines to prudently manage the funding mix. ANZBGL New Zealand employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

	2024 NZ\$m	2023 NZ\$m
Funding composition		
Customer deposits	136,163	132,529
<i>Wholesale funding</i>		
Debt issuances	17,549	18,494
Certificates of deposit	1,174	2,328
Commercial paper	1,419	2,253
Other borrowings	6,567	7,283
Total wholesale funding	26,709	30,358
Total deposits and wholesale funding	162,872	162,887

15. FINANCIAL RISK MANAGEMENT (continued)

Analysis of funding liabilities by industry is based on ANZSIC codes. The significant categories shown are the level one NZSIOC.

	2024 NZ\$m	2023 NZ\$m
Customer deposits by industry - New Zealand residents		
Agriculture, forestry and fishing	3,949	4,535
Mining	313	204
Manufacturing	3,091	2,809
Construction	2,911	2,926
Wholesale trade	2,326	2,361
Retail trade and accommodation	2,195	2,124
Transport, postal and warehousing	1,530	1,572
Financial and insurance services	13,773	13,899
Rental, hiring and real estate services	3,441	3,498
Professional, scientific, technical, administrative and support services	6,750	6,377
Public administration and safety	1,855	1,515
Health care and social assistance	1,587	1,375
Arts, recreation and other services	2,466	2,502
Households	77,164	74,511
All other New Zealand residents ¹	2,577	2,719
Subtotal	125,928	122,927
Customer deposits by industry - overseas		
Households	9,488	8,807
All other non-NZ residents	747	795
Subtotal	10,235	9,602
Total customer deposits	136,163	132,529
Wholesale funding (financial and insurance services industry)		
New Zealand	5,470	8,172
Overseas	21,239	22,186
Total wholesale funding	26,709	30,358
Total deposits and wholesale funding	162,872	162,887
Concentrations of funding by geography		
New Zealand	131,398	131,099
Australia	4,273	3,374
United States	11,156	12,234
Europe	8,730	9,363
Other countries	7,315	6,817
Total deposits and wholesale funding	162,872	162,887

¹ Other includes electricity, gas, water and waste services; information media and telecommunications; and education and training.

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF ANZBGL NEW ZEALAND'S FINANCIAL LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September 2024 and 30 September 2023 within relevant maturity groupings. All outstanding debt issuances are profiled on the earliest date on which ANZBGL New Zealand may be required to pay. The amounts represent principal and interest cash flows – so they may differ from equivalent amounts reported on the balance sheet.

It should be noted that this is not how ANZBGL New Zealand manages its liquidity risk. The management of this risk is detailed on page 43.

	On demand NZ\$m	Less than 3 months NZ\$m	3 to 12 months NZ\$m	1 to 5 years NZ\$m	After 5 years NZ\$m	Total NZ\$m
2024						
Settlement balances payable	3,772	1,599	-	-	-	5,371
Collateral received	-	525	-	-	-	525
Deposits and other borrowings	76,860	25,381	36,806	8,024	9,739	156,810
Derivative financial liabilities (trading)	-	11,062	-	-	-	11,062
Debt issuances ¹	-	441	3,332	14,922	1,191	19,886
Lease liabilities	-	14	41	156	46	257
Other financial liabilities	-	454	32	152	296	934
Derivative financial instruments (balance sheet management)						
- gross inflows	-	1,745	7,288	4,307	1,203	14,543
- gross outflows	-	(1,821)	(7,508)	(4,344)	(1,096)	(14,769)
2023						
Settlement balances payable	2,425	488	-	-	-	2,913
Collateral received	-	1,500	-	-	-	1,500
Deposits and other borrowings	78,336	25,830	33,753	9,513	-	147,432
Derivative financial liabilities (trading)	-	8,179	-	-	-	8,179
Debt issuances ¹	-	500	3,572	15,075	2,261	21,408
Lease liabilities	-	14	40	149	17	220
Other financial liabilities	-	260	7	236	253	756
Derivative financial instruments (balance sheet management)						
- gross inflows	-	2,450	4,493	8,487	935	16,365
- gross outflows	-	(2,366)	(4,455)	(8,941)	(942)	(16,704)

¹ Any callable wholesale debt instruments have been included at their next call date. Refer to Note 14 Debt issuances for subordinated debt call dates.

At 30 September 2024, NZ\$28,589 million (2023: NZ\$28,604 million) of its credit related commitments and contingent liabilities mature in less than 1 year, based on the earliest date on which ANZBGL New Zealand may be required to pay.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ANZBGL New Zealand recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial assets and liabilities according to their measurement bases together with their carrying amounts as recognised on the balance sheet.

	Note	2024			2023		
		At amortised cost NZ\$m	At fair value NZ\$m	Total NZ\$m	At amortised cost NZ\$m	At fair value NZ\$m	Total NZ\$m
Financial assets							
Cash and cash equivalents	7	9,872	1,762	11,634	12,426	668	13,094
Settlement balances receivable		574	-	574	401	-	401
Collateral paid		1,041	-	1,041	801	-	801
Trading securities	8	-	5,576	5,576	-	5,921	5,921
Derivative financial instruments	9	-	10,173	10,173	-	8,747	8,747
Investment securities	10	-	13,295	13,295	-	10,958	10,958
Net loans and advances	11	151,963	-	151,963	149,627	-	149,627
Other financial assets		1,113	-	1,113	996	-	996
Total		164,563	30,806	195,369	164,251	26,294	190,545
Financial liabilities							
Settlement balances payable		5,346	-	5,346	2,886	-	2,886
Collateral received		525	-	525	1,500	-	1,500
Deposits and other borrowings	13	142,882	2,441	145,323	141,511	2,882	144,393
Derivative financial instruments	9	-	11,150	11,150	-	8,287	8,287
Debt issuances	14	17,549	-	17,549	18,494	-	18,494
Other financial liabilities		1,733	372	2,105	1,265	371	1,636
Total		168,035	13,963	181,998	165,656	11,540	177,196

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

If ANZBGL New Zealand holds offsetting risk positions, then the portfolio exception in NZ IFRS 13 *Fair Value Measurement* (NZ IFRS 13) is used to measure the fair value of such groups of financial assets and financial liabilities. ANZBGL New Zealand measures the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate commercial paper and certain securities sold under repurchase agreements (included in deposits and other borrowings) at FVTPL where they are managed on a fair value basis to align the measurement with how the financial instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or liability	Fair value approach
Financial instruments classified as: - Derivative financial assets and financial liabilities (including trading and non-trading) - Repurchase agreements <90 days - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curves appropriate for the remaining term to maturity.
Financial instruments classified as: - Trading securities - Investment securities	Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

ANZBGL New Zealand categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with NZ IFRS 13 based on the observability of inputs used to measure the fair value:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements								
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total		
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	
Assets									
Cash and cash equivalents	-	-	1,762	668	-	-	1,762	668	
Trading securities ¹	4,653	3,989	923	1,932	-	-	5,576	5,921	
Derivative financial instruments	3	38	10,169	8,709	1	-	10,173	8,747	
Investment securities ¹	12,184	7,796	1,106	3,161	5	1	13,295	10,958	
Total	16,840	11,823	13,960	14,470	6	1	30,806	26,294	
Liabilities									
Deposits and other borrowings	-	-	2,441	2,882	-	-	2,441	2,882	
Derivative financial instruments	70	2	11,079	8,275	1	10	11,150	8,287	
Other financial liabilities	358	367	14	4	-	-	372	371	
Total	428	369	13,534	11,161	1	10	13,963	11,540	

¹ During 2024, no assets were transferred from Level 1 to Level 2 (2023: NZ\$1,685 million transferred from level 1 to Level 2) and NZ\$2,390 million of assets were transferred from Level 2 to Level 1 (2023: NZ\$338 million transferred from Level 2 to Level 1) for ANZBGL New Zealand due to a change of the observability of valuation inputs. There were no other material transfers between Level 1 and Level 2 during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed below are carried at amortised cost on ANZBGL New Zealand's balance sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, ANZBGL New Zealand provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

Fair values of financial assets and liabilities carried at amortised cost not included in the table below approximate their carrying values. These financial assets and liabilities are either short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

	Categorised into fair value hierarchy									
	At amortised cost		Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Financial assets										
Net loans and advances	151,963	149,627	-	-	69	95	152,271	148,469	152,340	148,564
Total	151,963	149,627	-	-	69	95	152,271	148,469	152,340	148,564
Financial liabilities										
Deposits and other borrowings	142,882	141,511	-	-	143,152	141,424	-	-	143,152	141,424
Debt issuances	17,549	18,494	2,705	2,367	14,987	16,101	-	-	17,692	18,468
Total	160,431	160,005	2,705	2,367	158,139	157,525	-	-	160,844	159,892

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following table sets out ANZBGL New Zealand's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

Financial asset and liability	Fair value approach
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, ANZBGL New Zealand's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect ANZBGL New Zealand to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZBGL New Zealand for that instrument.



KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on ANZBGL New Zealand's balance sheet at fair value. ANZBGL New Zealand therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance sheet date.

In determining the fair valuation of financial instruments, ANZBGL New Zealand has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models ANZBGL New Zealand uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, ANZBGL New Zealand also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer Note 9 Derivative financial instruments) to reflect ANZBGL New Zealand's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

17. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the balance sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard CSA that forms part of the ISDA Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZBGL New Zealand's covered bond programmes; and
- collateral provided to RBNZ under the TLF and FLP.

The carrying amounts of assets pledged as security are as follows:

	2024 NZ\$m	2023 NZ\$m
Securities sold under arrangements to repurchase ¹	768	626
Residential mortgages provided as security for repurchase agreements with RBNZ	3,559	4,844
Total assets of the ANZNZ Covered Bond Trust pledged as security for covered bonds	10,563	10,926

Comparative amounts have been adjusted to be consistent with the current period's collateral securities.

- 1 The amounts disclosed as securities sold under arrangements to repurchase include both:
- assets pledged as security which continue to be recognised on ANZBGL New Zealand's balance sheet; and
 - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZBGL New Zealand has received collateral associated with various financial transactions. Under certain arrangements ANZBGL New Zealand has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	2024 NZ\$m	2023 NZ\$m
Fair value of assets which can be sold or repledged	1,707	667
Fair value of assets sold or repledged	697	432

18. OFFSETTING

We offset financial assets and financial liabilities in the balance sheet (in accordance with NZ IAS 32 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over collateralisation.

	Total amounts recognised in the balance sheet NZ\$m	Amounts not subject to master netting agreement or similar NZ\$m	Amount subject to master netting agreement or similar			
			Total NZ\$m	Financial instruments NZ\$m	Financial collateral (received)/pledged NZ\$m	Net amount NZ\$m
2024						
Derivative financial assets	10,173	(1,596)	8,577	(8,256)	(72)	249
Reverse repurchase agreements ¹	1,762	-	1,762	-	(1,762)	-
Total financial assets	11,935	(1,596)	10,339	(8,256)	(1,834)	249
Derivative financial liabilities	(11,150)	1,876	(9,274)	8,256	332	(686)
Repurchase agreements ²	(3,750)	-	(3,750)	-	3,750	-
Total financial liabilities	(14,900)	1,876	(13,024)	8,256	4,082	(686)
2023						
Derivative financial assets	8,747	(1,529)	7,218	(5,588)	(538)	1,092
Reverse repurchase agreements ¹	668	-	668	-	(668)	-
Total financial assets	9,415	(1,529)	7,886	(5,588)	(1,206)	1,092
Derivative financial liabilities	(8,287)	1,670	(6,617)	5,588	222	(807)
Repurchase agreements ²	(4,429)	-	(4,429)	-	4,429	-
Total financial liabilities	(12,716)	1,670	(11,046)	5,588	4,651	(807)

¹ Reverse repurchase agreements are presented in the balance sheet within cash and cash equivalents.

² Repurchase agreements are presented in the balance sheet within deposits and other borrowings.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	2024 NZ\$m	2023 NZ\$m
Goodwill	3,006	3,006
Software	19	37
Management rights	69	76
Goodwill and other intangible assets	3,094	3,119

GOODWILL AND OTHER INTANGIBLE ASSETS ALLOCATED TO CASH-GENERATING UNITS (CGUs)

Goodwill arose on the acquisition of the NBNZ Holdings Limited group on 1 December 2003, and the carrying amount reflects amortisation recognised before the application of NZ IFRS from 1 October 2004 and subsequent business disposals. Funds management rights, assessed as having indefinite useful lives, arose on the acquisition of the ING Holdings (NZ) Limited (now ANZ New Zealand Investments Holdings Limited) group on 30 November 2009.

Goodwill and funds management rights are allocated to CGUs as follows:

Cash generating unit	Goodwill		Management rights	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Personal	980	980	-	-
Funds Management	62	62	69	76
Personal segment	1,042	1,042	69	76
Business & Agri	695	695	-	-
Institutional	1,269	1,269	-	-
Total	3,006	3,006	69	76

Goodwill was assessed for indicators of impairment as at 30 September 2024, taking into account the results of the February 2024 impairment test and associated sensitivity and scenario analysis performed and the forecast impact of recent economic events. There were no indicators of impairment therefore, in accordance with NZ IAS 36 *Impairment of Assets*, no further impairment test was required.

The following information is for the annual goodwill impairment test, and reflects the CGUs and goodwill allocations as at 29 February 2024.

Annual goodwill impairment test

The annual impairment test is performed as at the end of February each year. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal (FVLCO) and its value-in-use (VIU). We use a VIU approach to estimate the recoverable amount of the CGU to which each goodwill component is allocated. Based on this assessment no impairment was identified for any CGU, and therefore a FVLCO calculation was not required.

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

VALUE-IN-USE

These calculations use cash flow projections based on a number of financial budgets within each CGU covering an initial forecast period. These projections also incorporate economic assumptions including GDP, inflation, unemployment, residential and commercial property prices, and the implementation of RBNZ's increased capital requirements. Cash flows beyond the forecast period are extrapolated using the terminal growth rate. These cash flow projections are discounted using a discount rate derived using a capital asset pricing model.

Future changes in the assumptions upon which the calculation is based may materially impact this assessment, resulting in the potential impairment of part or all of the goodwill balances.

Input / assumption	Values applied in 29 February 2024 impairment test
Forecast period and projections	To 30 September 2028 - an extended forecast period was used to cover the implementation of RBNZ's increased capital requirements over the transition period ending on 1 July 2028.
Revenue growth over forecast period	Comprises impacts of net interest margin and volume growth, arising from planned responses to known regulatory and economic forecasts. Average annual forecast revenue growth rates are shown below.
Credit impairment over forecast period	Varies by CGU, based on ECL modelling for 2024 and 2025, before returning to long run experience levels for 2026 to 2028. Long run experience levels are based on ANZBGL New Zealand's bad debts written off, net of recoveries, since 2004 of 0.13% of gross loans and advances. Credit impairment for each CGU as a percentage of forecast gross loans and advances for 2025 to 2028 is shown below.
Terminal growth rate	2.0% - based on 2026 forecast inflation from RBNZ's February 2024 Monetary Policy Statement.
Discount rate	Post tax: 11.7% (February 2023: 11.9%). The main variables in the calculation of the discount rate used are the risk free rate, beta and the market risk premium. The risk-free rate was the average traded 10-year New Zealand government bond yield as at 29 February 2024 of 4.8%. The market risk premium was estimated using observed historic rates of return for the New Zealand stock exchange and 10-year government bonds. Beta was consistent with observable measures applied in the regional banking sector.

The values of the average revenue growth, credit impairment as a percentage of forecast gross loans and advances, and pre-tax discount rates assumptions by CGU are shown in the table below. The implied pre-tax discount rates are significantly higher than the post-tax discount rate above because regulatory capital retention over the forecast period is not tax effected.

Cash generating unit	Revenue growth		Credit impairment		Pre-tax discount rate	
	29 Feb 24	28 Feb 23	29 Feb 24	28 Feb 23	29 Feb 24	28 Feb 23
Personal	4.6%	2.2%	0.04%	0.07%	25.3%	24.1%
Funds Management	4.4%	5.6%	n/a	n/a	23.5%	21.5%
Business & Agri	2.8%	2.8%	0.11%	0.15%	25.4%	23.5%
Institutional	1.8%	1.8%	0.12%	0.17%	25.5%	23.3%

We performed stress tests for key sensitivities in each CGU. A change, considered to be reasonably possible by management, in key assumptions would not cause the carrying amount of any CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other intangibles
Definition	Excess amount ANZBGL New Zealand has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by ANZBGL New Zealand is capitalised. Internal and external costs incurred in building software and computer systems costing greater than NZ\$20 million are capitalised as assets. Those less than NZ\$20 million are expensed in the year in which the costs are incurred. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Management fee rights arising from acquisition of funds management business.
Carrying value	Cost less any accumulated impairment losses. Allocated to the CGU to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less accumulated impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised over 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment.
Amortisation method	Not applicable.	Straight-line method.	Not applicable.

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are ANZBGL New Zealand's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including the selection of the model and key assumptions used to calculate the recoverable amount.

The assessment of the recoverable amount of each CGU has been made within the context of the inherent uncertainty described in the key judgements and estimates section on page 9.

20. OTHER PROVISIONS

	Note	2024 NZ\$m	2023 NZ\$m
ECL allowance on undrawn and contingent facilities	12	136	127
Customer remediation		24	36
Restructuring costs		8	10
Leasehold make good		22	21
Other		22	15
Total other provisions		212	209

Movements in other provisions

	Customer remediation NZ\$m	Restructuring costs NZ\$m	Leasehold make good NZ\$m	Other NZ\$m
Balance at 1 October 2023	36	10	21	15
New and increased provisions made during the year	4	10	4	7
Provisions used during the year	(16)	(11)	-	-
Unused amounts reversed during the year	-	(1)	(3)	-
Balance at 30 September 2024	24	8	22	22

Customer remediation

Customer remediation includes provisions for expected refunds to customers and other counterparties, remediation project costs and related customer, counterparty and regulatory claims, penalties and litigation costs and outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by ANZBGL New Zealand or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Leasehold make good

Provisions associated with leased premises where, at the end of a lease, ANZBGL New Zealand is required to remove any fixtures and fittings installed in the leased property. This obligation arises immediately upon installation. Estimated make good costs are added to the right of use asset (within premises and equipment) upon installation and amortised over the lease term.

Other

Other provisions comprise various other provisions including losses arising from other legal action, operational issues, and warranties and indemnities provided in connection with various disposals of businesses and assets.



RECOGNITION AND MEASUREMENT

ANZBGL New Zealand recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.



KEY JUDGEMENTS AND ESTIMATES

ANZBGL New Zealand holds provisions for various obligations including customer remediation, restructuring costs, leasehold make good and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice and adjustments are made to the provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

21. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2024 NZ\$m	2023 NZ\$m
Share capital and initial head office account	14,555	11,055
Reserves		
FVOCI reserve	(28)	(39)
Cash flow hedge reserve	52	(54)
Total reserves	24	(93)
Retained earnings	1,123	5,173
Equity attributable to the shareholders of the Ultimate Parent Bank	15,702	16,135
Non-controlling interests	825	550
Total shareholders' equity	16,527	16,685

SHARE CAPITAL

The table below details the movement in issued shares and share capital for the period.

	Number of issued shares		NZ\$ millions	
	2024	2023	2024	2023
Ordinary shares	378,155,112	378,155,112	1,450	1,450
Redeemable preference shares:				
Redeemable preference shares at beginning of the year	8,354,563,940	8,354,563,940	9,594	9,594
Redeemable preference shares issued	3,173,100,000	-	3,500	-
Uncalled redeemable preference shares redeemed	(44,990)	-	-	-
Total redeemable preference shares	11,527,618,950	8,354,563,940	13,094	9,594
Total share capital	11,905,774,062	8,732,719,052	14,544	11,044
NZ Branch initial head office account	-	-	11	11
Total share capital & initial head office account	11,905,774,062	8,732,719,052	14,555	11,055

Redeemable preference shares

All redeemable preference shares (RPS) were issued by ANZ Holdings (New Zealand) Limited to the Immediate Parent Company. RPS are redeemable by ANZ Holdings (New Zealand) Limited providing notice in writing to holders of the redeemable preference shares. Dividends are payable at the discretion of the Directors of ANZ Holdings (New Zealand) Limited and are non-cumulative.

There are nine classes of RPS, relating to issues in 1988, 2005, 2007, 2008, 2009, 2014, 2015, 2018 and 2024. ANZ Holdings (New Zealand) Limited did not pay any dividends on RPS during the years ended 30 September 2024 and 30 September 2023. The uncalled shares were redeemed for no value on 25 June 2024. There are no uncalled shares as at 30 September 2024 (2023: 44,990).

NON-CONTROLLING INTERESTS

The Bank has issued perpetual preference shares (PPS). The PPS are considered non-controlling interests to ANZBGL New Zealand.

	Profit attributable to non-controlling interest		Equity attributable to non-controlling interest		Dividend paid to non-controlling interests	
	2024	2023	2024	2023	2024	2023
Perpetual preference shares	35	27	825	550	35	27
Total	35	27	825	550	35	27

PPS do not carry any voting rights. They are classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

In the event of liquidation, holders of PPS are entitled to an amount equal to the issue price of the PPS. Holders of PPS rank behind the claims of all depositors and other creditors of the Bank (other than creditors that rank equally with the PPS), equally with the rights of other holders of PPS and other equal ranking securities and obligations, and in priority to the rights of holders of ordinary shares.

Holders of PPS are entitled to receive dividends that are discretionary, non-cumulative and subject to conditions. If a PPS dividend is not paid, there are certain restrictions on the ability of the Bank to pay a dividend on its ordinary shares. Holders of the PPS have no other rights to participate in the profits or property of the Bank.

Holders of PPS have no right to require that the PPS be redeemed.

The Bank has two classes of PPS that are quoted on the NZX Debt Market: PPS issued in 2022 and PPS issued in 2024.

21. SHAREHOLDERS' EQUITY (CONTINUED)

The key terms of the PPS are as follows:

	2022 PPS	2024 PPS
Issue date	18 July 2022	19 March 2024
Issue amount	NZ\$550 million	NZ\$275 million
First optional redemption date	18 July 2028	19 March 2030
Final maturity date	Perpetual	Perpetual
Dividend amount	6.95% per annum until 18 July 2028 (after which it changes to a floating rate equal to the aggregate of the New Zealand 3-month bank bill rate plus 3.25%), multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed).	7.60% per annum until 19 March 2030 (after which it changes to a floating rate equal to the aggregate of the New Zealand 3-month bank bill rate plus 3.25%), multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed).

As at 30 September 2024, the PPS carried a BBB+ credit rating from S&P Global Ratings. These credit ratings were upgraded from BBB on 2 April 2024.

The Bank may, at its option, redeem a class of PPS on an optional redemption date (being each scheduled quarterly dividend payment date from and including the first optional redemption date), or at any time following the occurrence of a tax event or regulatory event, subject to prior written approval of RBNZ and certain other conditions being met.



RECOGNITION AND MEASUREMENT

Ordinary shares

Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of ANZ Holdings (New Zealand) Limited, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to:

- on a show of hands, one vote; and
- on a poll, one vote, for each share held.

Redeemable preference shares

RPS do not carry any voting rights. They are wholly classified as equity instruments as there is no contractual obligation for ANZ Holdings (New Zealand) Limited to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

In the event of liquidation of ANZ Holdings (New Zealand) Limited, holders of RPS are entitled to available subscribed capital per share, pari passu with all holders of existing RPS but in priority to all holders of ordinary shares. They have no entitlement to participate in further distribution of profits or assets.

Reserves:

Cash flow hedge reserve

Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.

FVOCI reserve

Includes the changes in fair value of investment securities together with any tax effect.

In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for ECL, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in other operating income.

In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.

Non-controlling interests:

Share in the net assets of controlled entities attributable to equity interests which ANZBGL New Zealand does not own directly or indirectly. The equity interest comprises PPS issued by the Bank.

PPS do not carry any voting rights. They are wholly classified as equity instruments as there is no contractual obligation for the Bank to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

In the event of liquidation, holders of PPS are entitled to available subscribed capital per share, pari passu with other equally ranking subordinated debt issued by the Bank but in priority to all holders of ordinary shares issued by the Bank. They have no entitlement to participate in further distribution of profits or assets.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZBGL New Zealand's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of ANZBGL New Zealand's capital position; and
- ensure that the capital base supports ANZBGL New Zealand's risk appetite, and strategic business objectives, in an efficient and effective manner.

The Bank has regulatory capital requirements and holds, and manages, most of the Banking Group's capital position. The Bank's Board holds ultimate responsibility for ensuring that capital adequacy of the Banking Group is maintained. This includes: setting, monitoring and obtaining assurance for the Banking Group's Internal Capital Adequacy Assessment Process (ICAAP) policy and framework; standardised risk definitions for all material risks; materiality thresholds; capital adequacy targets; internal risk capital principles; and risk appetite.

The Banking Group has minimum and trigger levels for capital that ensure sufficient capital is maintained to:

- meet minimum prudential requirements imposed by the Bank's regulators;
- ensure consistency with the Banking Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- support the internal risk capital requirements of the business.

ALCO is responsible for developing, implementing and maintaining the Banking Group's ICAAP framework, including ongoing monitoring, reporting and compliance. The Banking Group's ICAAP is subject to independent and periodic review.

REGULATORY ENVIRONMENT

The Ultimate Parent Bank is a registered bank in New Zealand, and conducts business in New Zealand through the NZ Branch. While RBNZ requires the Ultimate Parent Bank to comply with the minimum capital adequacy requirements as administered by APRA, there are no regulatory capital requirements that apply specifically to the NZ Branch or ANZBGL New Zealand.

MANAGED CAPITAL

The Banking Group is subject to its own regulatory capital requirements as administered by RBNZ. The following table provides details of the capital of ANZBGL New Zealand which is managed outside the Banking Group.

	2024 NZ\$m	2023 NZ\$m
ANZBGL New Zealand shareholders' equity	16,527	16,685
Subordinated debt issued by ANZ Holdings (New Zealand) Limited used to purchase PPS issued by the Bank	864	-
Subordinated debt from the Ultimate Parent Bank used to purchase PPS issued by the Bank	-	285
Borrowings from the Immediate Parent Company used to purchase ordinary shares issued by the Bank	1,766	1,766
less: Banking Group shareholders' equity	(18,810)	(18,421)
Capital of ANZBGL New Zealand managed outside the Banking Group	347	315
Total assets of ANZBGL New Zealand held outside the Banking Group	298	307
Ratio	116.4%	102.6%

23. CONTROLLED ENTITIES

The following table lists the subsidiaries of ANZBGL New Zealand. All subsidiaries are 100% owned and incorporated in New Zealand unless stated otherwise.

	Nature of business
Australia and New Zealand Banking Group Limited (New Zealand Branch)^{2,3}	Registered bank
ANZ Holdings (New Zealand) Limited ³	Holding company
ANZ Bank New Zealand Limited	Registered bank
ANZ Custodial Services New Zealand Limited	Custodian and nominee
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ National Staff Superannuation Limited	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Holdings Limited	Holding company
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Investments Nominees Limited	Custodian and nominee
OneAnswer Nominees Limited	Wrap services provider
ANZNZ Covered Bond Trust ¹	Securitisation entity
Arawata Assets Limited	Property
Endeavour Finance Limited	Investment
Kingfisher NZ Trust 2008-1 ¹	Securitisation entity
ANZ Nominees Pty Limited (New Zealand Branch) ^{2,3}	Nominee
Institutional Securitisation Services Limited (New Zealand Branch) ^{2,3}	Securitisation services

1 ANZBGL New Zealand does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. Control exists as ANZBGL New Zealand retains substantially all the risks and rewards of the operations. Details of ANZBGL New Zealand's interest in consolidated structured entities is included in Note 24 Structured entities.

2 Incorporated in Australia and registered in New Zealand as an Overseas ASIC Company.

3 These companies are included in the Relevant Members of ANZBGL New Zealand referred to in the Directors' and New Zealand Chief Executive Officer's Statement on page 90.



RECOGNITION AND MEASUREMENT

ANZBGL New Zealand subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

ANZBGL New Zealand assesses whether it has power over those entities by examining ANZBGL New Zealand's existing rights to direct the relevant activities of the entity.

NOTES TO THE FINANCIAL STATEMENTS

24. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If ANZBGL New Zealand does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

ANZBGL New Zealand's involvement with SEs is as follows:

Type	Details
Securitisation	<p>ANZBGL New Zealand uses the Kingfisher NZ Trust 2008-1 (the Kingfisher Trust) to securitise residential mortgages that it has originated, in order to diversify sources of funding for liquidity management. The Kingfisher Trust is an internal securitisation (bankruptcy remote) vehicle created for the purpose of structuring assets that are eligible for repurchase under agreements with RBNZ (these are known as 'Repo eligible').</p> <p>ANZBGL New Zealand is exposed to variable returns from its involvement with the Kingfisher Trust and has the ability to affect those returns through its power over the Kingfisher Trust's activities. The Kingfisher Trust is therefore consolidated.</p> <p>As at 30 September 2024 and 30 September 2023, ANZBGL New Zealand had entered into repurchase agreements with RBNZ in relation to the TLF and FLP.</p> <p>Additionally, ANZBGL New Zealand may acquire interests in securitisation vehicles set up by third parties through providing lending facilities to, or holding securities issued by, such entities.</p>
ANZNZ Covered Bond Trust (the Covered Bond Trust)	<p>Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all priority ranking creditors of the Covered Bond Trust have been satisfied.</p> <p>ANZBGL New Zealand is exposed to variable returns from its involvement with the Covered Bond Trust and has the ability to affect those returns through its power over the Covered Bond Trust's activities. The Covered Bond Trust is therefore consolidated.</p>
Structured finance arrangements	<p>ANZBGL New Zealand is involved with SEs established:</p> <ul style="list-style-type: none"> • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. <p>ANZBGL New Zealand may provide risk management products (derivatives) to the SE.</p> <p>In all instances, ANZBGL New Zealand does not control these SEs. Further, ANZBGL New Zealand's involvement does not establish more than a passive interest in decisions about the relevant activities of the SE, and accordingly we do not consider that interest disclosable.</p>
Funds management activities	<p>ANZBGL New Zealand is the scheme manager for a number of Managed Investment Schemes (MIS). These MIS include the ANZ and OneAnswer branded KiwiSaver, retail and wholesale schemes. These MIS are financed through the issue of units to investors and ANZBGL New Zealand considers them to be SEs. ANZBGL New Zealand's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures to the MIS that would allow ANZBGL New Zealand to control the funds. Therefore, these MIS are not consolidated.</p>

24. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

Financial or other support provided to consolidated SEs

The Bank provides lending facilities, derivatives and commitments to the Kingfisher Trust and the Covered Bond Trust and/or holds debt instruments that they have issued. The Bank did not provide any non-contractual support to consolidated SEs during the year (2023: nil).

UNCONSOLIDATED STRUCTURED ENTITIES

ANZBGL New Zealand's interest in unconsolidated SEs

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes ANZBGL New Zealand to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if ANZBGL New Zealand's involvement is not more than a passive interest - for example: when ANZBGL New Zealand's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows ANZBGL New Zealand to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose ANZBGL New Zealand to market risk (rather than performance risk specific to the SE) or derivatives through which ANZBGL New Zealand creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

ANZBGL New Zealand earned funds management fees from its MIS of NZ\$199 million (2023: NZ\$192 million) during the year. As at 30 September 2024, ANZBGL New Zealand had total funds under management of NZ\$39.7 billion (2023: NZ\$37.1 billion) of which NZ\$26.0 billion (2023: NZ\$26.1 billion) related to its MIS, with the largest individual fund being approximately NZ\$5.2 billion (2023: NZ\$4.4 billion).

ANZBGL New Zealand did not provide any non-contractual support to unconsolidated SEs during the year (2023: nil); nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

ANZBGL New Zealand may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, ANZBGL New Zealand considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- ANZBGL New Zealand is the major user of that SE; or
- ANZBGL New Zealand's name appears in the name of that SE, or on its products; or
- ANZBGL New Zealand provides implicit or explicit guarantees of that SE's performance.

The Bank has sponsored the ANZ PIE Fund, which invests only in deposits with the Bank. ANZBGL New Zealand does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.



KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether ANZBGL New Zealand has control over SEs. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

NOTES TO THE FINANCIAL STATEMENTS

25. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business ANZBGL New Zealand enters into transactions where it transfers financial assets directly to third parties. These transfers may give rise to ANZBGL New Zealand fully, or partially, derecognising those financial assets - depending on ANZBGL New Zealand's exposure to the risks and rewards or control over the transferred assets. If ANZBGL New Zealand retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on ANZBGL New Zealand's balance sheet in its entirety.

Covered bonds

ANZBGL New Zealand operates a covered bond programme to raise funding. Refer to Note 24 Structured entities for further details. The covered bonds issued externally are included within debt issuances.

Repurchase agreements

When ANZBGL New Zealand sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Covered bonds		Repurchase agreements	
	2024 NZ\$m	2023 NZ\$m	2024 NZ\$m	2023 NZ\$m
Current carrying amount of assets transferred	10,563	10,926	4,327	5,470
Carrying amount of associated liabilities	2,156	3,373	3,750	4,429

26. RELATED PARTY DISCLOSURES

Key management personnel and their related parties

Key management personnel (KMP) are defined as directors and those executives having authority and responsibility for planning, directing and controlling the activities of ANZBGL New Zealand. Executive roles included in KMP are the Bank's Chief Executive Officer (CEO) and all executives reporting directly to the Bank's CEO, and the CEO - NZ Branch.

	2024 NZ\$000	2023 NZ\$000
Key management personnel compensation¹		
Salaries and short-term employee benefits	13,318	12,139
Post-employment benefits	363	351
Other long-term benefits ²	76	78
Share-based payments	4,200	3,589
Total	17,957	16,157

¹ Includes former disclosed KMPs until the end of their employment, and close family members of KMP employed by ANZBGL New Zealand.

² Comprises long service leave accrued during the year.

	2024 NZ\$m	2023 NZ\$m
Transactions and balances with key management personnel and their related parties¹		
Secured loans and advances	12	24
Credit related commitments (undrawn loan facilities)	4	3
Interest income	1	1
Customer deposits ²	9	22
Payables and other liabilities (share-based payments liability)	4	3

¹ Includes KMP, close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members, of ANZBGL New Zealand and its parent companies.

² Includes holdings of units in the ANZ PIE Fund (a sponsored unconsolidated structured entity) which are invested solely in deposits of the Bank.

Loans made to KMP and their related parties are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off or forgiven, or individually assessed allowances for expected credit losses raised in respect of these balances (2023: nil).

All other transactions with KMP and their related parties are made on terms and conditions no more favourable than those given to other employees or customers. These transactions generally involve the provision of financial and investment services. In addition to the amounts above:

- Aggregate amounts for each of unsecured loans and advances, interest expense, fee income, debt issuances and collectively assessed credit impairment charge and allowance for expected credit losses were less than NZ\$ 1 million for both years presented.
- KMP and their related parties also hold units in other MIS managed by ANZBGL New Zealand. Transactions and balances in respect of these MIS holdings are not disclosed because those MIS are unconsolidated structured entities and not included in the financial statements of ANZBGL New Zealand.
- Some KMP pay ANZBGL New Zealand for the use of carparks in premises owned or leased by ANZBGL New Zealand. These amounts were less than NZ\$0.1 million (2023: less than NZ\$0.1 million).

26. RELATED PARTY DISCLOSURES (continued)

Transactions with other members of the ANZ Group and associates

ANZBGL New Zealand undertakes transactions with the Immediate Parent Company, the Ultimate Parent Bank, other members of the ANZ Group and associates.

These transactions principally consist of funding and hedging transactions, the provision of other financial and investment services, technology and process support, and compensation for share based payments made to ANZBGL New Zealand employees. These transactions are conducted on an arm's length basis and on normal commercial terms.

Transactions	2024 NZ\$m	2023 NZ\$m
Immediate Parent Company		
Interest expense	86	51
Redeemable preference shares issued	3,500	-
Dividends paid	6,145	1,345
Ultimate Parent Bank and other ANZ Group subsidiaries		
Interest income	9	12
Interest expense	154	145
Other operating income	11	11
Operating expenses	68	63
Associates		
Operating expenses	3	3
Other operating income	-	2
Outstanding balances		
Ultimate Parent Bank and other ANZ Group subsidiaries		
Cash and cash equivalents	117	177
Derivative financial instruments	7,448	5,506
Other assets	160	50
Total due from related parties	7,725	5,733
Immediate Parent Company		
Deposits and other borrowings	1,766	1,766
Payables and other liabilities	49	27
Ultimate Parent Bank and other ANZ Group subsidiaries		
Settlement balances payable	69	7
Collateral received	-	547
Deposits and other borrowings	1,312	1,089
Derivative financial instruments	7,444	4,955
Payables and other liabilities	26	33
Debt issuances	2	286
Associates		
Deposits and other borrowings	1	1
Total due to related parties	10,669	8,711

Balances due from / to other members of the ANZ Group and associates are unsecured. The Bank has provided guarantees and commitments to, and received guarantees from, these entities as follows:

	2024 NZ\$m	2023 NZ\$m
Financial guarantees provided by the Ultimate Parent Bank and other ANZ Group subsidiaries	249	227
Financial guarantees provided to the Ultimate Parent Bank and other ANZ Group subsidiaries	189	69
Undrawn facilities provided to associates	1	1

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENT LIABILITIES

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2024 NZ\$m	2023 NZ\$m
Contract amount of:		
Undrawn facilities	25,759	26,055
Guarantees and letters of credit	1,232	1,029
Performance related contingencies	1,598	1,520
Total	28,589	28,604

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which ANZBGL New Zealand may be required to pay, the full amount of undrawn facilities mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that ANZBGL New Zealand has entered into as principal.

Letters of credit involve ANZBGL New Zealand issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige ANZBGL New Zealand to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risks associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which ANZBGL New Zealand may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies mature within 12 months.

OTHER CONTINGENT LIABILITIES

There are outstanding court proceedings, claims and possible claims for and against ANZBGL New Zealand. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 20 Other provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice seriously the interests of ANZBGL New Zealand.

REGULATORY AND CUSTOMER EXPOSURES

ANZBGL New Zealand regularly engages with its regulators. The nature of these regulatory interactions can be wide ranging and include regulatory investigations, surveillance and reviews, reportable situations, formal and informal inquiries and regulatory supervisory activities in New Zealand and globally. ANZBGL New Zealand also receives notices and requests for information from its regulators from time to time as part of both industry-wide and ANZBGL New Zealand-specific reviews and makes disclosures to its regulators at its own instigation.

The nature of these interactions can be wide ranging and, for example, may relate to matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation.

The possible exposures associated with ANZBGL New Zealand's regulatory interactions may include civil enforcement actions, criminal proceedings, fines and penalties, imposition of capital or liquidity requirements, customer remediation, the requirement to conduct independent reviews, sanctions or the exercise of other regulatory powers.

There may also be exposures to customers, investors or third parties which are additional to any regulatory exposures. These could include class actions or claims for compensation or other remedies.

The outcomes and total costs associated with these possible regulatory, customer and other exposures remain uncertain.

27. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against the Bank, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. The Bank is defending the allegations. In July 2022, the High Court ruled that the plaintiffs may bring the proceeding as an opt-out representative action on behalf of a class, being certain customers who entered into a home loan or personal loan with the Bank between 6 June 2015 and 28 May 2016 and requested a variation to that loan during that period. Aspects of the decision were appealed by both parties, and a hearing took place at the Court of Appeal in April 2024. The decision was issued in July 2024, with the Court of Appeal confirming that the Bank's class size, with the current representative plaintiff, remains the same. The Court of Appeal also granted the plaintiff's application for a common fund order with immediate effect. The Bank has applied to the Supreme Court for leave to appeal the Court of Appeal's decision as it relates to common fund orders and is awaiting the Supreme Court's decision on whether to grant a hearing.

WARRANTIES AND INDEMNITIES

ANZBGL New Zealand has provided warranties, indemnities and other commitments in various contracts for the disposal of businesses and assets and other commercial transactions, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

28. AUDITOR FEES

	2024 NZ\$000	2023 NZ\$000
KPMG New Zealand		
Audit or review of financial statements ¹	2,320	2,204
Audit related services:		
Prudential and regulatory services ²	326	295
Offer documents assurance or review	147	141
Other assurance services ³	804	399
Total audit related services	1,277	835
Total KPMG New Zealand fees relating to ANZBGL New Zealand	3,597	3,039
Fees related to certain managed funds not recharged ⁴	266	280
Total KPMG New Zealand fees	3,863	3,319
KPMG Australia		
Other assurance services - operational greenhouse gas emissions	-	53
Total auditor fees	3,863	3,372

1 Includes fees for both the audit of annual financial statements and reviews of interim financial statements.

2 Includes fees for reviews and controls reports required by regulations.

3 Includes fees for other reviews, agreed upon procedures and reasonable and limited assurance engagements.

4 Amounts relate to the ANZ PIE Fund, ANZ Investments Private Scheme and SIL Mutual Funds, and include fees for audits of annual financial statements, registry audits, supervisor reporting and other agreed upon procedures engagements.

Under ANZBGL New Zealand's policy, KPMG New Zealand or any of its related practices are allowed to provide assurance and other audit related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as RBNZ. Any other services that are not audit or audit-related services are non-audit services. ANZBGL New Zealand's policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG New Zealand or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

ASSURANCE REPORT



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of the New Zealand business of Australia and New Zealand Banking Group Limited (ANZBGL) and its subsidiaries (ANZBGL New Zealand) on pages 4 to 65 which comprise:

- the consolidated balance sheet as at 30 September 2024;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of ANZBGL New Zealand's financial position as at 30 September 2024 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Generally Accepted Accounting Practice, which in this instance means New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of ANZBGL New Zealand in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has provided services to ANZBGL New Zealand in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews, agreed upon procedures engagements and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with ANZBGL New Zealand on normal terms within the ordinary course of trading activities of the business of ANZBGL New Zealand. These matters have not impaired our independence as auditor of ANZBGL New Zealand. The firm has no other relationship with, or interest in, ANZBGL New Zealand.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the directors as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

ALLOWANCE FOR EXPECTED CREDIT LOSSES (\$861 MILLION)

Refer to Note 12 of the consolidated financial statements.

The key audit matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the consolidated financial statements and the inherent complexity of ANZBGL New Zealand's Expected Credit Loss (ECL) models used to measure ECL allowances. These models are reliant on data and a number of estimates including impacts of multiple economic scenarios, and other assumptions such as defining a Significant Increase in Credit Risk (SICR).

NZ IFRS 9 requires ANZBGL New Zealand to measure ECL on a forward-looking basis reflecting a range of future economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments to the ECL results are also made by ANZBGL New Zealand to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging both the economic scenarios used and the judgemental post-model adjustments that ANZBGL New Zealand applies to the ECL results.

ANZBGL New Zealand's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within ANZBGL New Zealand's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing ANZBGL New Zealand's significant accounting policies against the requirements of the accounting standard. Credit risk and economic specialists were used in ECL audit procedures as a core part of our audit team.

We tested key controls in relation to:

- ANZBGL New Zealand's ECL model governance and validation processes which involved assessment of model performance;
- ANZBGL New Zealand's assessment and approval of the forward-looking macro-economic assumptions and scenario weightings through challenge applied by ANZBGL New Zealand's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). We tested the approval of new lending facilities against ANZBGL New Zealand's lending policies, and controls over the monitoring of counterparty credit quality; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets and recalculate individual allowances. We tested automated calculation and change management controls and evaluated the oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls over the key IT applications used by ANZBGL New Zealand in measuring ECL allowances, as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments for a sample of wholesale loans controlled by ANZBGL New Zealand's specialist workout and recovery team, who assessed them as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by ANZBGL New Zealand as showing signs of deterioration, or in areas of emerging risk (assessed against external market).
- For each loan sampled, we challenged ANZBGL New Zealand's CCR and Security Indicator, assessment of loan recoverability, valuation of security and the impact on the credit allowance. To do this, we reviewed the information on ANZBGL New Zealand's loan file, understood the facts and circumstances of the case with the relationship manager, and performed our own assessment of recoverability.
- Exercising our judgement, our procedures included using our understanding of relevant industries and the macro-economic environment, and comparing data and assumptions used by ANZBGL New Zealand in recoverability assessments to externally sourced evidence, such as commodity prices and external property sale information. Where relevant, we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of ANZBGL New Zealand's processes to determine ECL allowances, evaluating ANZBGL New Zealand's ECL model methodologies against established market practices and criteria in the accounting standards;
- Working with our credit risk specialists, we assessed the accuracy of ANZBGL New Zealand's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently driven calculation tools and comparing this to the amount recorded by ANZBGL New Zealand;
- Working with our economic specialists, we challenged ANZBGL New Zealand's forward-looking macro-economic assumptions and scenarios incorporated in ANZBGL New Zealand's ECL models. We compared ANZBGL New Zealand's forecast GDP and unemployment rates, to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of ANZBGL New Zealand's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination and comparing our expectation to actual staging applied on an individual account level in ANZBGL New Zealand's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We also challenged key assumptions in the components of ANZBGL New Zealand's post-model adjustments. This included:

- Assessing the requirement for post-model adjustments considering ANZBGL New Zealand's ECL model and data deficiencies identified by ANZBGL New Zealand's ECL model validation processes;
- Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks inherent in ANZBGL New Zealand's loan portfolios;
- Assessing certain post-model adjustments identified against internal and external information; and
- Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the portfolios against ANZBGL New Zealand's assessment.

We assessed the appropriateness of ANZBGL New Zealand's disclosures in the consolidated financial statements using our understanding obtained from our testing and against the requirements of NZ IFRS.

ASSURANCE REPORT

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of Level 2 financial instruments in asset positions \$13,960 million, in liability positions \$13,534 million

Refer to Note 16 of the consolidated financial statements.

The key audit matter

The fair value of ANZBGL New Zealand's Level 2 financial instruments is determined by ANZBGL New Zealand through the application of valuation techniques which often involve the exercise of judgement and the use of assumption and estimates.

The valuation of Level 2 financial instruments held at fair value is a key audit matter due to the complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments including fair value adjustments (FVAs) leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represent 45% of ANZBGL New Zealand's financial assets carried at fair value and 97% of ANZBGL New Zealand's financial liabilities carried at fair value.

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

Performing an assessment of the population of financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgment over valuation either due to unobservable inputs or complex models.

We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:

- Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
- model validation at inception and periodically, including assessment of model limitation and assumptions;
- review and challenge of daily profit and loss by a control function;
- collateral management process, including review of margin reconciliations with clearing houses; and
- review and approval of FVAs, including exit price and portfolio level adjustments.

In relation to the valuation of Level 2 financial instruments, with the assistance of our valuation specialists:

- Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives;
- Comparing ANZBGL New Zealand's valuation methodology to industry practice and the criteria in the accounting standards; and
- Independently revaluing a selection of financial instruments and FVAs. This involved sourcing independent inputs from comparable data in the market and available alternatives. We challenged and assessed any differences.

We assessed ANZBGL New Zealand's consolidated financial statement disclosures, including key judgements and assumptions using our understanding obtained from our testing and against NZ IFRS.

INFORMATION TECHNOLOGY (IT) SYSTEMS AND CONTROLS

The key audit matter

As a major New Zealand bank, ANZBGL New Zealand's businesses utilise a large number of complex, interdependent IT systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of ANZBGL New Zealand's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of ANZBGL New Zealand's IT controls.

How the matter was addressed in our audit

We tested the control environment for key IT applications used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which support the effective operation of technology-enabled business processes. Our IT specialists were used throughout the engagement as a core part of our audit team.

Our audit procedures included:

- Assessing the governance and higher-level controls in place across the IT environment, including the approach to ANZBGL New Zealand policy design, review and awareness;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT application and the supporting infrastructure;
- Design and operating effectiveness testing of controls in place over change management, including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to IT applications across ANZBGL New Zealand;
- Design and operating effectiveness testing of controls used by ANZBGL New Zealand's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs per the ANZ Delivery Framework; and
- Design and operating effectiveness testing of automated business process controls including those that enforce segregation of duties between conflicting roles within IT applications, configurations in place to perform calculations, mappings, and flagging of financial transactions, automated reconciliation controls (both between systems, and intra-system) and data integrity of critical system reporting used by us in our audit to select samples and analysis data used by management to generate financial reporting.

CARRYING VALUE OF GOODWILL (\$3,006 MILLION)

Refer to Note 19 of the consolidated financial statements.

The key audit matter

Carrying value of goodwill is a key audit matter due to a number of judgements required in the determination of the recoverable amount of goodwill, and because the carrying value of goodwill is financially significant at the reporting date.

ANZBGL New Zealand uses a value-in-use (VIU) approach to estimate the recoverable amount of each Cash Generating Unit (CGU) to which goodwill is allocated. The reasonableness of the recoverable amounts was assessed using an implied market-multiples approach.

The ongoing effects and uncertainties associated with the environment continue to increase the potential for impairment and our audit effort in this area remains elevated. There is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and market-multiples used in the reasonableness assessment. The risk is most pronounced for the Institutional CGU.

How the matter was addressed in our audit

We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

Working with our valuation specialists, our procedures included:

- In accordance with accounting standards, assessing the reasonableness of the amounts allocated to the CGUs to which ANZBGL New Zealand allocated goodwill;
- Considering the appropriateness of the valuation method applied by ANZBGL New Zealand to perform their annual test for impairment against the requirements of the accounting standards;
- Assessing the integrity of the VIU model used by ANZBGL New Zealand, including the accuracy of the underlying calculation formulae;
- Assessing the accuracy of previous ANZBGL New Zealand forecasts to inform our evaluation of forecasts incorporated in the VIU model;
- For each CGU, stress testing key VIU assumptions to consider reasonably possible alternatives;
- For the Institutional CGU, assessing ANZBGL New Zealand's key assumptions used in the VIU model, including discount rates, revenue growth rates, and terminal growth rates comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- Comparing the forecast cash flows contained in the model to the revised Operational forecast, reflecting the current economic environment and the increased regulatory minimum capital requirements;
- Assessing key assumptions used in the market-multiples reasonableness assessment, which we assessed as being equivalent to a fair value less costs of disposal approach. These assumptions included future maintainable earnings, the control premium comparing the implied multiples from comparable market transactions to the implied multiples used in the VIU model;
- Assessing the reasonableness of ANZBGL New Zealand's review for potential internal and external indicators of impairment. This review considered the period from the annual impairment test as at 29 February 2024 up to financial year end; and
- Assessing the disclosures in the financial statements against the requirements of the accounting standards.

OTHER INFORMATION

The Directors, on behalf of ANZBGL New Zealand, are responsible for the other information. The other information comprises ANZBGL New Zealand's general disclosures in section B1 required to be included in ANZBGL New Zealand's Disclosure Statement in accordance with schedule 2 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

USE OF THIS INDEPENDENT AUDITOR'S REPORT

This independent auditor's report is made solely to the directors of ANZBGL. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume responsibility and deny all liability to anyone other than the directors for our audit work, this independent auditor's report, or any of the opinions or conclusions we have formed.

ASSURANCE REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors, on behalf of ANZBGL New Zealand, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance Clause 24 of the Order;
- implementing necessary internal control to enable the preparation of consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability of ANZBGL New Zealand to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements including the financial statements prepared in accordance with Clause 24 of the Order as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Munro.

For and on behalf of:



KPMG
Auckland
7 November 2024

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REGISTERED BANK DISCLOSURES

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014.

Section	Order reference	Page
B1. General disclosures	Schedule 2	73
B2. Additional financial disclosures	Schedule 4	80
B3. Asset quality	Schedule 7	81
B4. Credit and market risk exposures and capital adequacy	Schedule 9	84
B5. Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products	Schedule 11	85
B6. Risk management policies	Schedule 13	87

B1. GENERAL DISCLOSURES (UNAUDITED)

Details of ultimate parent bank and ultimate non-bank holding company

The registered bank, which is also the ultimate parent bank, is Australia and New Zealand Banking Group Limited (Ultimate Parent Bank). The principal office and place of business outside New Zealand, and address for service of the Ultimate Parent Bank, is ANZ Centre, Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

The ultimate non-bank holding company is ANZ Group Holdings Limited. The address for service is ANZ Centre, Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Subordination of claims of creditors

Certain creditors of the Ultimate Parent Bank are given a statutory priority under Australian law. Unsecured creditors of the NZ Branch could be expected to rank behind such claims.

Specifically, pursuant to subsection 13A(3) of the Banking Act 1959 of the Commonwealth of Australia (the Banking Act), if an Authorised Deposit-Taking Institution (ADI) (which includes the Ultimate Parent Bank) becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's liabilities in the following order:

- (a) first, the ADI's liabilities (if any) to APRA because of the rights APRA has against the ADI because of section 16AI or 16AIC of the Banking Act;
- (b) second, the ADI's debts (if any) to APRA under section 16AO of the Banking Act;
- (c) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that account-holders keep with the ADI. (Broadly, this means accounts (including deposit accounts) kept with the Ultimate Parent Bank that are situated in Australia and recorded in Australian dollars);
- (d) fourth, the ADI's debts (if any) to the Reserve Bank of Australia;
- (e) fifth, the ADI's liabilities (if any) under an industry support contract that is certified by APRA under section 11CB of the Banking Act; and
- (f) sixth, the ADI's other liabilities in the order of their priority (apart from subsection 13A(3)).

Unsecured creditors of the NZ Branch could be expected to rank as a creditor pursuant to the sixth paragraph, together with other unsecured creditors of the Ultimate Parent Bank that do not otherwise have a priority claim under preceding paragraphs.

Subsections 16(1) and (2) of the Banking Act provide that, despite anything contained in any law relating to the winding-up of companies, but subject to subsection 13A(3) of the Banking Act, the debts of an ADI to APRA in respect of APRA's costs (including costs in the nature of remuneration and expenses) of being in control of the ADI's business, or of having an administrator in control of the ADI's business, are a debt due to APRA and have priority in a winding-up of the ADI over all other unsecured debts.

Section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia provides that notwithstanding anything contained in any law relating to the winding-up of companies, but subject to subsection 13A(3) of the Banking Act, debts due to the Reserve Bank of Australia by any ADI shall, in a winding-up, have priority over all other debts.

This description of the liabilities which are mandatorily preferred by law is not exhaustive.

These provisions affect all of the unsecured liabilities of the NZ Branch, which as at 30 September 2024, amounted to NZ\$2m (2023: NZ\$1m).

Requirement to maintain sufficient assets to cover ongoing obligation to pay deposit liabilities

Subsection 13A(4) of the Banking Act states that it is an offence if an ADI does not hold assets (excluding goodwill and any assets or other amount excluded by the prudential standards for the purposes of that subsection) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, and APRA has not authorised the ADI to hold assets of a lesser value. This requirement has the potential to impact on the management of the liquidity of the NZ Branch.

APRA's powers

The Ultimate Parent Bank is subject to extensive prudential regulation by APRA.

The Banking Act requires APRA to exercise its powers and functions for the protection of the depositors of Australian ADIs and for the promotion of financial system stability in Australia.

Where APRA considers that an ADI may become unable to meet its obligations or suspends payment (among other circumstances), APRA can take control of the ADI's business (including by appointment of an ADI statutory manager). APRA also has power to direct the ADI not to make payments in respect of its indebtedness and to compulsorily transfer some or all of the ADI's assets and liabilities to another ADI in certain circumstances and to increase its capital in specified circumstances. A counterparty to a contract with an ADI cannot rely solely on the fact that an ADI statutory manager is in control of the ADI's business or on the making of a direction or compulsory transfer order as a basis for denying any obligations to the ADI or for accelerating any debt under that contract or closing out any transaction relating to that contract.

The Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018 (the Crisis Management Act) amended the Banking Act (among other statutes applicable to financial institutions in Australia) and was intended to enhance APRA's powers. Specifically, the Crisis Management Act enhanced APRA's powers to facilitate resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers which could impact the Overseas Banking Group include greater oversight, management and directions powers in relation to the Ultimate Parent Bank and other Overseas Banking Group entities which were previously not regulated by APRA, increased statutory management powers over regulated entities within the Overseas Banking Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments.

The requirements of the Banking Act and the exercise by APRA of its powers have the potential to impact the management of the liquidity of ANZBGL New Zealand.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Restrictions on the Ultimate Parent Bank's ability to provide financial support

Effect of APRA's Prudential Standards

APRA Prudential Standard APS 222 *Associations with Related Entities* (APS222) sets minimum requirements for ADIs in Australia, including the Ultimate Parent Bank, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS222, the Ultimate Parent Bank's ability to provide financial support to the Bank is subject to the following restrictions:

- the Ultimate Parent Bank should not undertake any third party dealings for the purpose of supporting the business of the Bank;
- the Ultimate Parent Bank must not hold unlimited exposures (i.e. should be limited as to specified time or amount) in the Bank (e.g. not provide a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank must not agree to cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default by the Ultimate Parent Bank on its obligations; and
- the level of exposure, net of exposures deducted from capital, of the Ultimate Parent Bank's level 1 tier 1 capital base to the Bank should not exceed: (A) 25% on an individual exposure basis; or (B) 75% in aggregate (being exposures to all similar regulated ADI equivalent entities related to the Ultimate Parent Bank).

In addition, since 1 January 2021, no more than 5% of the Ultimate Parent Bank's level 1 tier 1 capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as the Banking Group, and the New Zealand Branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to the Bank during times of financial stress.

APRA has also confirmed that contingent funding support by the Ultimate Parent Bank to the Bank during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding.

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on 1 July 2017. This framework also requires that the Ultimate Parent Bank must limit its financial and operational exposures to subsidiaries (including the Bank).

In determining the acceptable level of exposure to a subsidiary, the Board of the Ultimate Parent Bank should have regard to:

- the exposures that would be approved for third parties of broadly equivalent credit status;
- the potential impact on the Ultimate Parent Bank's capital and liquidity positions; and
- the Ultimate Parent Bank's ability to continue operating in the event of a failure by the Bank.

These requirements are not expected to place additional restrictions on the Ultimate Parent Bank's ability to provide financial or operational support to the Bank.

Other APRA powers

The Ultimate Parent Bank may not provide financial support in breach of the Banking Act, as described under 'APRA's powers' above.

Guarantees

No material obligations of the NZ Branch are guaranteed as at 7 November 2024.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Directors, New Zealand Chief Executive Officer and Responsible Person

Any document or communication may be sent to any Director or the Chief Executive Officer – NZ Branch at the Registered Office. The document or communication should be marked for the attention of that Director or the Chief Executive Officer – NZ Branch as applicable.

Directors of the Ultimate Parent Bank as at 7 November 2024

	Paul O'Sullivan	Shayne Elliott	John Cincotta
Position	Chairman and Director	Chief Executive Officer and Director	Director
Occupation	Company Director	ANZ Group Chief Executive Officer	Company Director
Qualifications	BA (Mod) Economics, Advanced Management Program of Harvard	BCom	BBus, CPA
Resides	Sydney, Australia	Melbourne, Australia	Sydney, Australia
Executive	No	Yes	No
Independent	Yes	No	Yes
Other company directorships	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, St Vincent's Health Australia, Singtel Optus Pty Ltd, Western Sydney Airport Corporation	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, Elliott No. 3 Pty Ltd, Financial Markets Foundation for Children, Norfina Ltd, SBGH Ltd	ANZ BH Pty Ltd, Norfina Ltd, SBGH Ltd
	Richard Gibb	Jane Halton, AO PSM	Graham Hodges
Position	Director	Director	Director
Occupation	Company Director	Company Director	Company Director
Qualifications	Mcom, BEc	BA (Hons) Psychology, FIPAA, Hon. FAAHMS, Hon. FACHSE, Hon. DLitt, FAIM, FAICD, FAIA	BEc (Hons)
Resides	Sydney, Australia	Canberra, Australia	Melbourne, Australia
Executive	No	No	No
Independent	Yes	Yes	Yes (from ANZ non-bank group)
Other company directorships	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, Clayton Utz, Norfina Ltd, SBGH Ltd	ANZ BH Pty Ltd, Regis Healthcare Ltd, Assemble Communities
	Holly Kramer	Christine O'Reilly	Jeff Smith
Position	Director	Director	Director
Occupation	Company Director	Company Director	Company Director
Qualifications	BA (Hons), MBA	BBus	BA ^{PPSC} , MBA
Resides	Sydney, Australia	Melbourne, Australia	United States of America
Executive	No	No	No
Independent	Yes	Yes	Yes
Other company directorships	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, Fonterra Co-operative Group Ltd, Woolworths Group Ltd	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, Australia Pacific Airports Corporation Ltd, BHP Group Ltd, Infrastructure Victoria, Norfina Ltd, SBGH Ltd	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, ANZ NBH Pty Ltd, ANZ Group Services Pty Ltd, Pexa Australia Ltd, Sonrai Security Inc
	Scott St John		
Position	Director		
Occupation	Company Director		
Qualifications	BCom, Diploma of Business		
Resides	Auckland, New Zealand		
Executive	No		
Independent	Yes		
Other company directorships	ANZ Group Holdings Ltd, ANZ BH Pty Ltd, Captain Cook Nominees Ltd, Hutton Wilson Nominees Ltd, Mercury NZ Ltd, Te Awanga Terraces Ltd		

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Chief Executive Officer – NZ Branch and Responsible Person as at 7 November 2024

	Chris O’Neale	Antonia Watson
Position	Chief Executive Officer – NZ Branch	Responsible Person ¹
Occupation	Chief Executive Officer, Australia and New Zealand Banking Group Ltd – New Zealand Branch	Chief Executive Officer – ANZ Bank New Zealand Ltd
Qualifications	BCA	BCom (Hons), GAICD
Resides	Wellington, New Zealand	Auckland, New Zealand
Other company directorships	Barraba Ltd	Not applicable

¹ Authorised in writing by the Directors to sign the Disclosure Statement in accordance with section 82 of the Banking (Prudential Supervision) Act 1989.

Transactions with Directors

There are no transactions entered into by any Director, the Chief Executive Officer – NZ Branch, or any immediate relative or close business associate of any Director or the Chief Executive Officer – NZ Branch, with any part of ANZBGL New Zealand which has been either entered into on terms other than those which would in the ordinary course of business be given to any other person of like circumstances or means or which could otherwise be reasonably likely to influence materially the exercise of the Directors' or Chief Executive Officer – NZ Branch duties in respect of the NZ Branch and ANZBGL New Zealand.

Board Audit Committee

There is a board Audit Committee which covers audit matters. The Committee has four members. Each member is a non-executive Director.

Policy of the board of directors for avoiding or dealing with conflicts of interest

The Board of the Ultimate Parent Bank has adopted procedures to ensure that conflicts and potential conflicts of interest between a Director's duties to the Ultimate Parent Bank and their own interests are avoided or dealt with. Pursuant to these procedures:

- each Director should disclose to all Directors any material personal interest they have in any matter which relates to the affairs of the Ultimate Parent Bank and any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest. This disclosure should be made as soon as practicable after the Director becomes aware of their interest or the need to make a disclosure.
- any Director who has an interest of the type referred to above in a matter that is to be considered at a Directors' meeting, must not vote on the matter nor be present while the matter is considered at the meeting, unless a majority of Directors who do not have such an interest in the matter agree that the interest should not disqualify such Director from being present while the matter is being considered and from voting on the matter. The minutes of the meeting should record the decision taken by the Directors who do not have an interest in the matter.

In addition, Standing Notices about Interests are maintained for each Director. If the Director's interests change, the Director shall disclose the change as soon as practicable and an updated Standing Notice shall be tabled at the next Board meeting and recorded in the minutes of that meeting.

Auditors

KPMG, 18 Viaduct Harbour Avenue, Auckland, New Zealand.

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Conditions of registration

The following conditions of registration were applicable as at 30 September 2024, and have applied from 1 November 2015.

The registration of Australia and New Zealand Banking Group Limited (the registered bank) in New Zealand is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.
In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

2. That the banking group's insurance business is not greater than 1% of its total consolidated assets.
For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:
 - a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
 - b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.
 In determining the total amount of the banking group's insurance business—
 - a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
 - b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.
 For the purposes of this condition of registration,—
 "insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:
 "insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
 - a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - b) the Reserve Bank has advised that it has no objection to that appointment.

5. That Australia and New Zealand Banking Group Limited complies with the requirements imposed on it by the Australian Prudential Regulation Authority.

6. That Australia and New Zealand Banking Group Limited complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - a) Common Equity Tier 1 capital of Australia and New Zealand Banking Group Limited is not less than 4.5 percent of risk weighted exposures;
 - b) Tier 1 capital of Australia and New Zealand Banking Group Limited is not less than 6 percent of risk weighted exposures;
 - c) Total capital of Australia and New Zealand Banking Group Limited is not less than 8 percent of risk weighted exposures.

7. That the business of the registered bank in New Zealand is restricted to:
 - a) acquiring for fair value, and holding, mortgages originated by ANZ Bank New Zealand Limited; and
 - b) any other business for which the prior written approval of the Reserve Bank has been obtained; and
 - c) activities that are necessarily incidental to the business specified in paragraphs (a) and (b).

8. That the value of the mortgages held by the registered bank in New Zealand must not exceed \$15 billion in aggregate.

9. That the registered bank in New Zealand does not incur any liabilities except:
 - a) to the government of New Zealand in respect of taxation and other charges;
 - b) to other branches or the head office of the registered bank;
 - c) to trade creditors and staff;
 - d) to ANZ Bank New Zealand Limited in respect of activities, other than borrowing, that are necessarily incidental to the business specified in paragraphs a) and b) of condition 7; and
 - e) any other liabilities for which the prior written approval of the Reserve Bank has been obtained.

In these conditions of registration,—

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

REGISTERED BANK DISCLOSURES

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Pending proceedings or arbitration

A description of any pending legal proceedings or arbitration concerning any member of ANZBGL New Zealand that may have a material adverse effect on the NZ Branch or ANZBGL New Zealand is included in Note 27 Commitments and contingent liabilities.

Credit rating

The Ultimate Parent Bank has credit ratings that apply to its long-term senior unsecured obligations payable in New Zealand in New Zealand dollars.

As at 7 November 2024, the Ultimate Parent Bank's credit ratings are:

Rating agency	Credit rating	Qualification
S&P Global Ratings	AA-	Outlook Stable
Fitch Ratings	AA-	Outlook Stable
Moody's Investors Service	Aa2	Outlook Stable

The following table describes the credit rating grades available. The descriptions are from S&P Global Ratings. Credit ratings from S&P Global Ratings and Fitch Ratings may be modified by the addition of "+" or "-" to show the relative standing within the "AA" to "B" categories. Moody's Investors Service applies numerical modifiers 1, 2, and 3 to each of the "Aa" to "Caa" classifications, with 1 indicating the higher end and 3 the lower end of the rating category.

	S&P Global Ratings	Moody's Investors Service	Fitch Ratings
Investment grade:			
Extremely strong capacity to meet financial commitments. Highest rating.	AAA	Aaa	AAA
Very strong capacity to meet financial commitments.	AA	Aa	AA
Strong ability to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.	A	A	A
Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.	BBB	Baa	BBB
Speculative grade:			
Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.	BB	Ba	BB
More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.	B	B	B
Currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments.	CCC	Caa	CCC
Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty.	CC to C	Ca	CC to C
Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed or similar action taken.	D	C	RD & D

B1. GENERAL DISCLOSURES (UNAUDITED) (continued)

Historical summary of financial statements

Income statement

	2024	2023	2022	2021	2020
For the year ended 30 September	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Interest income	11,933	10,226	5,824	4,608	5,580
Interest expense	(7,617)	(5,987)	(2,062)	(1,203)	(2,349)
Net interest income	4,316	4,239	3,762	3,405	3,231
Non-interest income	467	610	1,117	759	789
Operating income	4,783	4,849	4,879	4,164	4,020
Operating expenses	(1,761)	(1,663)	(1,654)	(1,622)	(1,754)
Credit impairment release / (charge)	(44)	(183)	(39)	115	(401)
Profit before income tax	2,978	3,003	3,186	2,657	1,865
Income tax expense	(846)	(832)	(887)	(738)	(529)
Profit after income tax	2,132	2,171	2,299	1,919	1,336
Comprising:					
Profit attributable to the shareholders of the Ultimate Parent Bank	2,097	2,144	2,299	1,919	1,336
Profit attributable to non-controlling interests	35	27	-	-	-

Balance sheet

	2024	2023	2022	2021	2020
As at 30 September	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Total assets	199,466	194,589	201,439	185,072	180,087
Total individually impaired assets	370	287	146	155	363
Total liabilities	182,939	177,904	185,417	169,996	166,077
Shareholders' equity	15,702	16,135	15,472	15,076	14,010
Non-controlling interests	825	550	550	-	-
<i>Dividends paid or provided for included in Shareholders' equity</i>					
Ordinary dividends paid	6,145	1,345	1,880	845	-
Preference dividends paid	35	27	-	-	-

The amounts included in this summary have been taken from the audited financial statements of ANZBGL New Zealand.

Other material matters

RBNZ capital requirements

RBNZ has revised the capital adequacy requirements applying to New Zealand locally incorporated registered banks, which are set out in RBNZ's Banking Prudential Requirements documents. As a result, the Banking Group is materially increasing the level of capital it holds over the transition period from October 2021 to July 2028. The key requirements still being implemented are:

- The Banking Group's total capital requirement will progressively increase to 18% of RWA, including tier 1 capital of at least 16% of RWA. Up to 2.5% of the tier 1 capital requirement can be made up of additional tier 1 (AT1) capital, with the remainder of the tier 1 requirement made up of common equity tier 1 (CET1) capital. AT1 capital must consist of perpetual preference shares, which may be redeemable. The total capital requirement can also include tier 2 capital of up to 2% of RWA. Tier 2 capital must consist of long-term subordinated debt.
- The capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer, which can be temporarily reduced to 0% following a financial crisis, or temporarily increased, and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 2024, the Bank had NZ\$938 million of AT1 instruments that will progressively lose eligible regulatory capital treatment over the transition period to July 2028.

Financial statements of the Ultimate Parent Bank and Overseas Banking Group

Copies of the most recent publicly available financial statements of the Ultimate Parent Bank and Overseas Banking Group will be provided immediately, free of charge, to any person requesting a copy where request is made at the Registered Office. The most recent publicly available financial statements for the Ultimate Parent Bank and Overseas Banking Group can also be accessed at the website shareholder.anz.com.

REGISTERED BANK DISCLOSURES

B2. ADDITIONAL FINANCIAL DISCLOSURES

Additional information on the balance sheet

	2024 NZ\$m	2023 NZ\$m
Total interest earning and discount bearing assets	183,414	180,805
Total interest and discount bearing liabilities	150,977	148,870
Total liabilities of the NZ Branch less amounts due to related entities	2	1

Additional information on interest rate sensitivity

The following table represents the interest rate sensitivity of ANZBGL New Zealand's assets, liabilities and off-balance sheet instruments by showing the periods in which these instruments may reprice, that is, when interest rates applicable to each asset or liability can be changed.

2024	Total NZ\$m	Up to 3 months NZ\$m	Over 3 to 6 months NZ\$m	Over 6 to 12 months NZ\$m	Over 1 to 2 years NZ\$m	Over 2 years NZ\$m	Not bearing interest ¹ NZ\$m
Assets							
Cash and cash equivalents	11,634	11,378	-	-	-	-	256
Settlement balances receivable	574	-	-	-	-	-	574
Collateral paid	1,041	1,041	-	-	-	-	-
Trading securities	5,576	430	163	512	741	3,730	-
Derivative financial instruments	10,173	-	-	-	-	-	10,173
Investment securities	13,295	-	76	805	502	11,907	5
Net loans and advances	151,963	69,804	25,463	31,103	20,591	5,168	(166)
Other financial assets	1,113	-	-	-	-	-	1,113
Total financial assets	195,369	82,653	25,702	32,420	21,834	20,805	11,955
Liabilities							
Settlement balances payable	5,346	2,855	-	-	-	-	2,491
Collateral received	525	525	-	-	-	-	-
Deposits and other borrowings	145,323	85,821	20,147	15,514	5,414	2,555	15,872
Derivative financial instruments	11,150	-	-	-	-	-	11,150
Debt issuances	17,549	1,994	1,610	404	2,967	10,574	-
Lease liabilities	225	12	12	24	46	131	-
Other financial liabilities	1,880	372	-	-	-	-	1,508
Total financial liabilities	181,998	91,579	21,769	15,942	8,427	13,260	31,021
Hedging instruments	-	(4,029)	4,412	1,274	(5,671)	4,014	-
Interest sensitivity gap	13,371	(12,955)	8,345	17,752	7,736	11,559	(19,066)

¹ Excludes non-coupon bearing discounted financial assets and financial liabilities which are shown as repricing on their maturity date.

Overseas Banking Group Profitability and Size

	2024
Net profit for the year ended 30 September 2024 (AUDm) ¹	6,630
Net profit after tax for the year ended 30 September 2024 as a percentage of average total assets	0.56%
Total assets (AUDm)	1,229,585
Percentage change in total assets in the 12 months to 30 September 2024	11.17%

¹ Net profit after tax for the year includes AUD 35 million of profit attributable to non-controlling interests.

Reconciliation of mortgage related amounts

As at 30 September 2024	Note	NZ\$m
Term loans - housing ¹	11	111,104
Less: housing loans made to corporate customers		(1,392)
On-balance sheet residential mortgage exposures (per LVR analysis)	B4	109,712
Add: off-balance sheet residential mortgage exposures (per LVR analysis)	B4	9,636
Total residential mortgage exposures (per LVR analysis)	B4	119,348

¹ Term loans – housing includes loans secured over residential property for owner-occupier, residential property investment and business purposes.

B3. ASSET QUALITY

This section should be read in conjunction with the estimates, assumptions and judgements included in Note 1, Note 12 and Note 15 to the financial statements.

Movements in components of loss allowance – total

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
Net loans and advances - total					
As at 1 October 2023	193	398	79	60	730
Transfer between stages	36	(40)	(1)	5	-
New and increased provisions (net of collective provision releases)	(42)	12	26	99	95
Write-backs	-	-	-	(49)	(49)
Recoveries of amounts previously written off	-	-	-	(11)	(11)
Credit impairment charge / (release)	(6)	(28)	25	44	35
Bad debts written-off (excluding recoveries)	-	-	-	(41)	(41)
Add back recoveries of amounts previously written off	-	-	-	11	11
Discount unwind	-	-	-	(10)	(10)
As at 30 September 2024	187	370	104	64	725

Off-balance sheet credit related commitments - total

As at 1 October 2023	80	39	3	5	127
Transfer between stages	4	(4)	-	-	-
New and increased provisions (net of collective provision releases)	(10)	21	-	(2)	9
Credit impairment charge / (release)	(6)	17	-	(2)	9
As at 30 September 2024	74	56	3	3	136

Impacts of changes in gross financial assets on loss allowances

Gross loans and advances - total

As at 1 October 2023	137,626	11,120	893	287	149,926
Net transfers in to each stage	-	1,953	498	143	2,594
Amounts drawn from new or existing facilities	32,959	1,695	100	255	35,009
Additions	32,959	3,648	598	398	37,603
Net transfers out of each stage	(2,594)	-	-	-	(2,594)
Amounts repaid	(29,364)	(2,829)	(234)	(274)	(32,701)
Deletions	(31,958)	(2,829)	(234)	(274)	(35,295)
Amounts written off	-	-	-	(41)	(41)
As at 30 September 2024	138,627	11,939	1,257	370	152,193
Loss allowance as at 30 September 2024	187	370	104	64	725

Off-balance sheet credit related commitments - total

As at 1 October 2023	27,439	1,137	15	13	28,604
Net transfers in to each stage	-	301	8	15	324
New and increased facilities and drawn amounts repaid	6,357	389	11	1	6,758
Additions	6,357	690	19	16	7,082
Net transfers out of each stage	(324)	-	-	-	(324)
Reduced facilities and amounts drawn	(6,462)	(284)	(8)	(19)	(6,773)
Deletions	(6,786)	(284)	(8)	(19)	(7,097)
As at 30 September 2024	27,010	1,543	26	10	28,589
Loss allowance as at 30 September 2024	74	56	3	3	136

Explanation of how changes in the gross carrying amounts of gross loans and advances contributed to changes in loss allowance

Overall, loss allowances are 0.48% of gross balances as at 30 September 2024, unchanged from 30 September 2023. The NZ\$4 million (0.5%) increase in loss allowances was driven by an increase in the proportion of gross balances in Stage 2 and Stage 3, and changes in the forward-looking economic scenarios as described in Note 12 Allowance for expected credit losses, offset by a release of management temporary adjustments.

REGISTERED BANK DISCLOSURES

B3. ASSET QUALITY (continued)

Movements in components of loss allowance – total

	Stage 1 NZ\$m	Stage 2 NZ\$m	Stage 3		Total NZ\$m
			Collectively assessed NZ\$m	Individually assessed NZ\$m	
Net loans and advances - total					
As at 1 October 2022	199	311	59	77	646
Transfer between stages	19	(19)	-	-	-
New and increased provisions (net of collective provision releases)	(25)	106	20	94	195
Write-backs	-	-	-	(22)	(22)
Recoveries of amounts previously written off	-	-	-	(12)	(12)
Credit impairment charge / (release)	(6)	87	20	60	161
Bad debts written-off (excluding recoveries)	-	-	-	(86)	(86)
Add back recoveries of amounts previously written off	-	-	-	12	12
Discount unwind	-	-	-	(3)	(3)
As at 30 September 2023	193	398	79	60	730

Off-balance sheet credit related commitments - total

As at 1 October 2022	66	31	3	5	105
Transfer between stages	2	(2)	-	-	-
New and increased provisions (net of collective provision releases)	12	10	-	-	22
Credit impairment charge / (release)	14	8	-	-	22
As at 30 September 2023	80	39	3	5	127

Impacts of changes in gross financial assets on loss allowances

Gross loans and advances - total

As at 1 October 2022	139,972	6,910	590	146	147,618
Net transfers in to each stage	-	4,645	413	218	5,276
Amounts drawn from new or existing facilities	30,079	1,126	79	103	31,387
Additions	30,079	5,771	492	321	36,663
Net transfers out of each stage	(5,276)	-	-	-	(5,276)
Amounts repaid	(27,149)	(1,561)	(189)	(94)	(28,993)
Deletions	(32,425)	(1,561)	(189)	(94)	(34,269)
Amounts written off	-	-	-	(86)	(86)
As at 30 September 2023	137,626	11,120	893	287	149,926
Loss allowance as at 30 September 2023	193	398	79	60	730

Off-balance sheet credit related commitments - total

As at 1 October 2022	28,969	995	14	6	29,984
Net transfers in to each stage	-	237	8	4	249
New and increased facilities and drawn amounts repaid	6,216	298	3	17	6,534
Additions	6,216	535	11	21	6,783
Net transfers out of each stage	(249)	-	-	-	(249)
Reduced facilities and amounts drawn	(7,497)	(393)	(10)	(14)	(7,914)
Deletions	(7,746)	(393)	(10)	(14)	(8,163)
As at 30 September 2023	27,439	1,137	15	13	28,604
Loss allowance as at 30 September 2023	80	39	3	5	127

Explanation of how changes in the gross carrying amounts of gross loans and advances contributed to changes in loss allowance

Overall, loss allowances are 0.48% of gross balances as at 30 September 2023, up from 0.42% as at 30 September 2022. The NZ\$106 million (14.1%) increase in loss allowances was driven by an increase in the proportion of gross balances in Stage 2, partially offset by changes in the forward-looking economic scenarios.

B3. ASSET QUALITY (continued)

Past due assets

	2024 NZ\$m	2023 NZ\$m
Less than 30 days past due	1,073	1,297
At least 30 days but less than 60 days past due	461	329
At least 60 days but less than 90 days past due	360	445
At least 90 days past due	947	661
Total past due but not individually impaired	2,841	2,732

Other asset quality information

	2024 NZ\$m	2023 NZ\$m
Undrawn facilities with impaired customers	10	13
Other assets under administration	5	8

Asset quality for financial assets designated at fair value

ANZBGL New Zealand does not have any loans and advances designated at fair value.

Overseas Banking Group asset quality

As at	30 Sep 24	30 Sep 23
Individually impaired assets (AUDm)	907	1,084
Individually impaired assets as a percentage of total assets	0.1%	0.1%
Individual credit impairment allowance (AUDm)	308	376
Individual credit impairment allowance as a percentage of individually impaired assets	34.0%	34.7%
Collective credit impairment allowance (AUDm)	4,247	4,032

REGISTERED BANK DISCLOSURES

B4. CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY (UNAUDITED)

APRA Basel III capital ratios

	Overseas Banking Group		Ultimate Parent Bank (Extended Licensed Entity)	
	2024	2023	2024	2023
Common equity tier 1 capital ratio	12.2%	13.3%	12.6%	13.1%
Tier 1 capital ratio	14.0%	15.2%	14.9%	15.4%
Total capital ratio	20.6%	21.0%	22.7%	22.2%

The Ultimate Parent Bank and the Overseas Banking Group are required to hold minimum capital as determined by APRA's capital framework, which is at least equal to that specified under the internationally agreed Basel III framework.

APRA has authorised the Ultimate Parent Bank and the Overseas Banking Group to use:

- the Internal Ratings Based (IRB) methodology for calculation of credit risk weighted assets. Where the Overseas Banking Group is not accredited to use the IRB methodology the Overseas Banking Group applies the standardised approach.
- the Standardised Measurement Approach (SMA) for the operational risk weighted asset equivalent.

The Overseas Banking Group exceeded the minimum capital requirements set by APRA as at 30 September 2024 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 30 September 2024. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 30 September 2024, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Market risk

ANZBGL New Zealand's notional capital charge below has been calculated in accordance with BPR140: *Market Risk*. Implied risk weighted exposures are equal to 12.5 x notional capital charge. The peak end-of-day market risk exposures are for the six months ended 30 September 2024.

	Implied risk weighted exposure		Notional capital charge	
	Period end NZ\$m	Peak NZ\$m	Period end NZ\$m	Peak NZ\$m
As at 30 September 2024				
Interest rate risk	4,923	6,233	394	499
Foreign currency risk	31	99	2	8
Equity risk	5	5	-	-

Additional mortgage information

As required by RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by ANZBGL New Zealand's valuation of the security property at origination of the exposure. Off-balance sheet exposures include undrawn and partially drawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which have been accepted by the customer.

	On-balance sheet NZ\$m	Off-balance sheet NZ\$m	Total NZ\$m
As at 30 September 2024			
LVR range			
Does not exceed 60%	57,447	7,295	64,742
Exceeds 60% and not 70%	20,166	1,048	21,214
Exceeds 70% and not 80%	24,162	1,034	25,196
Does not exceed 80%	101,775	9,377	111,152
Exceeds 80% and not 90%	6,272	112	6,384
Exceeds 90%	1,665	147	1,812
Total	109,712	9,636	119,348

B5. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS

Insurance business

ANZBGL New Zealand does not conduct any insurance business.

Non-consolidated insurance and non-financial activities

The Ultimate Parent Bank does not carry on any insurance business or non-financial activities in New Zealand that are outside ANZBGL New Zealand.

ANZBGL New Zealand's involvement in securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products

a) ANZBGL New Zealand's involvement in the establishment, marketing, or sponsorship of trust, custodial, funds management, and other fiduciary activities

Activity	Details
Custodial	<p>ANZBGL New Zealand operates two custodians as at 30 September 2024:</p> <ul style="list-style-type: none"> ANZ Custodial Services New Zealand Limited, which is the appointed custodian for private banking's (ANZ Private) Discretionary Investment Management Service, Wholesale Investment Services and Trading Service; and ANZ New Zealand Investments Nominees Limited, which is the appointed custodian for direct holdings of securities by various wholesale customer portfolios managed by ANZ New Zealand Investments Limited (ANZ Investments).
Funds management	<p>ANZBGL New Zealand provides the following funds management services:</p> <ul style="list-style-type: none"> <i>Managed Investment Schemes (MIS)</i>: ANZBGL New Zealand's subsidiaries ANZ Investments and ANZ Investment Services (New Zealand) Limited (ANZIS) act as manager for a number of managed investment schemes. ANZ Investments holds an MIS Manager licence and is the issuer and manager of ANZ and OneAnswer-branded KiwiSaver, retail and wholesale schemes. ANZIS is the issuer and manager of the ANZ PIE Fund. ANZ National Staff Superannuation Limited, also a subsidiary of ANZBGL New Zealand, is the trustee and manager of the ANZ National Retirement Scheme, which is a restricted workplace savings scheme. <i>Discretionary Investment Management Service (DIMS)</i>: The Bank is a licensed DIMS provider. This service is offered to ANZ Private customers. <i>Other investment portfolios</i>: ANZ Investments also manages investment portfolios for a number of schemes where the scheme manager or trustee has outsourced investment management services to ANZ Investments. These schemes are typically corporate superannuation schemes.
Other fiduciary activities	<p>ANZ Investments, through its subsidiary OneAnswer Nominees Limited, offers the OneAnswer Portfolio Service. The associated administration and custody services are provided by FNZ Limited and FNZ Custodians Limited respectively (together FNZ). FNZ is not a member or related party of ANZBGL New Zealand.</p>

b) ANZBGL New Zealand's involvement in the origination of securitised assets, and the marketing or servicing of securitisation schemes

ANZBGL New Zealand originates securitised assets in the form of residential mortgage backed securities held for potential repurchase transactions with RBNZ, and covered bonds. Refer to Note 24 Structured entities for further details about these programmes. Other than these activities, ANZBGL New Zealand is not involved in the marketing or servicing of securitisation schemes.

c) ANZBGL New Zealand's involvement in marketing and distribution of insurance products

ANZBGL New Zealand markets and distributes life insurance, other personal and business insurance products provided by or arranged through a number of insurance partners. None of these insurance partners are affiliated insurance entities or affiliated insurance groups. Our insurance partners are:

- Vero Insurance New Zealand Limited for home, contents, motor vehicle, boat, and lifestyle block insurance;
- AWP Services New Zealand Limited, trading as Allianz Partners, for premium card travel insurance. Policies are underwritten by The Hollard Insurance Company Pty Limited (incorporated in Australia);
- Chubb Life Insurance New Zealand Limited for life & living, and business insurance; and
- Arthur J. Gallagher & Co (NZ) Limited (formerly Crombie Lockwood (NZ) Limited) for business insurance.

Arrangements to ensure no adverse impacts arising from the above activities

Arrangements have been put in place to ensure that difficulties arising from the activities in a), b) and c) above would not impact adversely on ANZBGL New Zealand. The policies and procedures in place include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management.

REGISTERED BANK DISCLOSURES

B5. INSURANCE BUSINESS, SECURITISATION, FUNDS MANAGEMENT, OTHER FIDUCIARY ACTIVITIES AND MARKETING AND DISTRIBUTION OF INSURANCE PRODUCTS (continued)

Amounts represented by funds management and securitisation activities

	2024 NZ\$m	2023 NZ\$m
Funds under management:		
KiwiSaver ¹	21,768	18,957
Other managed funds ¹	3,370	3,286
ANZ PIE Fund ²	5,994	3,741
DIMS ³	7,621	7,259
Other investment portfolios ⁴	910	3,865
Total funds under management⁵	39,663	37,108
Funds under custodial arrangements	7,635	7,277
Other funds held or managed subject to fiduciary responsibilities ⁶	2,004	1,820
Outstanding securitised assets originated by ANZBGL New Zealand - carrying amount of covered bonds	2,156	3,373

1 Managed by ANZ Investments.

2 Managed by ANZIS and wholly invested in deposits of the Bank.

3 Managed by the Bank.

4 Comprises portfolios managed by ANZ Investments, and the ANZ National Retirement Scheme managed by ANZ National Staff Superannuation Limited.

5 The Bonus Bonds Scheme's registration under the FMCA was cancelled on 7 March 2024. All distributions were paid to bondholders (2023: NZ\$58 million of distributions payable to bondholders).

6 Not included in funds under management.

B6. RISK MANAGEMENT POLICIES

Information about risk

Constant changes and uncertainties in the macroeconomic environment, climate change and evolving geopolitical tensions continue to pose challenges to our operating conditions. We understand that our customers are similarly affected by these as well as additional challenges such as experiencing increasing fraud and scams activities. We will continue to strengthen our risk management framework and practices to meet such challenges.

The Board is ultimately responsible for establishing and overseeing ANZBGL New Zealand's Risk Management Framework (RMF), which is supported by ANZBGL New Zealand's underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Bank's Board Risk Committee (BRC) to develop and monitor compliance with ANZBGL New Zealand's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of ANZBGL New Zealand's RMF include:

- The Risk Management Strategy (RMS) is a critical element of ANZBGL New Zealand's RMF. The RMS includes: how the risk function is structured to support ANZBGL New Zealand's purpose and strategy; the values, attitudes and behaviours that support risk decision making in delivering on strategic priorities and a Board approved target risk culture; a description of each material risk; and an overview of how the RMS addresses each material risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZBGL New Zealand identifies, measures, evaluates, monitors, reports and controls or mitigates the material risks and the oversight mechanism and/or committees in place.
- The Risk Appetite Statement (RAS), conveys, for each material risk, the maximum level of risk ANZBGL New Zealand is willing to accept in pursuing its strategic objectives and its operating plans considering its shareholders', depositors' and customers' interests.
- Risk Principles support the RMF and outline the behaviours and practices that are expected to be applied to guide risk management and help to instil an appropriate risk culture across ANZBGL New Zealand.

Material risks

The material risks facing ANZBGL New Zealand per our RMS, and how these risks are managed, are summarised below.

During the year, ANZBGL New Zealand elevated Climate risk to material risk status. A dedicated Climate risk management team, with oversight from the material risk owners, are working to integrate and embed Climate risk into ANZBGL New Zealand's RMF through existing policies, processes and governance frameworks.

Each material risk has an associated RAS component, and where applicable, is measured by appropriate metric(s) and associated tolerance(s) representing the maximum level of risk appropriate to execute ANZBGL New Zealand's strategic agenda. Metrics are reviewed at least annually. A risk appetite dashboard is prepared and reviewed by senior management monthly, and presented to the BRC at each meeting.

Risk type	Description	Managing the risk
Capital adequacy risk	The risk of loss arising from ANZBGL New Zealand failing to maintain the level of capital required by prudential regulators and other key stakeholders (shareholders, debt investors, depositors, rating agencies, etc.) to support ANZBGL New Zealand's consolidated operations and risk appetite.	We pursue an active approach to Capital Management, which is designed to protect the interests of depositors, creditors and shareholders through ongoing review, and Board approval, of the level and composition of our capital base against key policy objectives. The ICAAP also operates as part of the management framework for this risk.
Credit risk	The risk of financial loss resulting from: <ul style="list-style-type: none"> • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a loss. Includes: <ul style="list-style-type: none"> • concentrations of credit risk; • intra-day credit risk; • credit risk to bank counterparties; and • related party credit risk 	Our Credit risk framework is top down, being defined by credit principles, policies and requirements. Credit policies, requirements and procedures cover all aspects of the credit life cycle from initial approval and risk grading, through to ongoing management and problem debt management. The effectiveness of the Credit risk framework is assessed through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.
Liquidity and funding risk	The risk that ANZBGL New Zealand is unable to meet its payment obligations as they fall due, including: <ul style="list-style-type: none"> • repaying depositors or maturing wholesale debt; or • ANZBGL New Zealand having insufficient capacity to fund increases in assets. 	ANZBGL New Zealand recognises the inherent liquidity and funding risk in the balance sheet and has established a set of key principles, to mitigate and control liquidity and funding risk. Our framework is top down, being defined by liquidity principles and policies. A liquidity limit framework is in place with liquidity limits set based on a liquidity stress testing framework.
Market risk	The risk stems from our trading and balance sheet activities and is the risk to ANZBGL New Zealand's earnings arising from: <ul style="list-style-type: none"> • changes in any interest rates, foreign exchange rates, credit spreads, volatility, and correlations; or • fluctuations in bond, commodity or equity prices. 	We have a detailed market risk management and control framework which includes incorporating an independent risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach identifies the range of possible outcomes, that can be expected over a given period of time, and establishes the likelihood of those outcomes and allocates an appropriate amount of capital to support these activities. ANZBGL New Zealand's key tools to measure and manage Market risk on a daily basis include value at risk, earnings at risk, interest rate sensitivities, market value loss limits and stress testing.

REGISTERED BANK DISCLOSURES

B6. RISK MANAGEMENT POLICIES (continued)

Risk type	Description	Managing the risk
Strategic risk	<p>Strategic risk is defined as the risk that ANZBGL New Zealand is prevented from achieving the key strategic goals that are core to its operations through ineffective strategic choices, failure to execute the strategy effectively, or a failure to adapt the strategy in response to changing environments and requirements.</p> <p>Strategic risk may arise from factors such as poor strategic choices, failure to achieve strategic targets through ineffective execution and failure to review the strategy or reallocate resources in response to changes in the operating environment.</p>	<p>Strategic risks are discussed and managed by the New Zealand Leadership Team (NZLT) through ANZBGL New Zealand strategic planning process. Additionally, we monitor delivery risk associated with High Impact change initiatives and undertake risk assessments prior to execution of our strategic changes.</p>
Climate risk	<p>Climate risk is the risk that arises from the changing climate and from the transition to a low-emissions, climate-resilient global and domestic economy. The key elements of climate risk are:</p> <ul style="list-style-type: none"> • Physical risk – risk related to the physical impacts of climate change. This includes changes to the frequency and magnitude of extreme weather events (acute risk) as well as longer-term changes in climate (chronic risk). Physical risks will primarily impact our customers, which in turn will impact us. Physical risks will also impact our office locations and branches. • Transition risk – risk related to the transition to a lower-emissions, climate-resilient economy. Moving towards a lower-emissions economy can create both transition risks and opportunities for us and our customers. 	<p>Following the elevation of climate risk to material risk during the year we have identified and qualitatively assessed the specific climate risks to ANZBGL New Zealand. Work is progressing to integrate and embed climate risk into ANZBGL New Zealand’s RMF through existing policies, processes and governance frameworks.</p> <p>Climate risk is classified as a ‘cross cutting’ risk that can amplify other material risks across ANZBGL New Zealand. For example, while climate risk can be a driver of credit risk through lending to our customers, it may also result in other financial risks, e.g. market risk.</p> <p>Climate risks can also be a driver of non-financial risks including conduct risk, regulatory risk and operational resilience risk.</p> <p>Climate-related financial and non-financial risks are managed through the risk management strategies associated with these risks.</p>
Non-financial risk (operational risk)	<p>Non-financial risk (NFR), is the risk of loss and/or non-compliance (including failure to act in accordance with laws, regulations, industry standards and codes, and internal policies) resulting from inadequate or failed internal processes, people, system and/or data, or from external events.</p>	<p>ANZBGL New Zealand’s strategy for evolving NFR management provides a planned and proactive approach to improving ANZBGL New Zealand’s NFR management. The NFR strategy is being operationalised through the NFR Framework, which has been designed to enable ANZBGL New Zealand to holistically, consistently and effectively identify, assess, remediate, monitor and report on NFR. ANZBGL New Zealand manages NFR in accordance with the industry-wide Operational Risk Exchange (ORX) taxonomy, of 16 ‘Risk Themes’, noting some of these present a higher inherent risk to ANZBGL New Zealand such as Technology, Conduct, Financial Crime, Data and Information Security (including Cyber).</p>

Refer to Note 15 Financial risk management for the disclosures required under NZ IFRS 7 *Financial Instruments: Disclosures*.

Other material risks

Other material risks do not require the same degree of active or transactional management as the material risks and are managed and monitored as part of ANZBGL New Zealand’s business, strategic and capital management process. The maximum level of risk is set as part of the Banking Group’s ICAAP.

Refer to Note 22 Capital management for more information about the Banking Group’s ICAAP.

Other material risks not explicitly captured in the calculation of the Banking Group’s tier 1 and total capital include:

Fixed asset risk	<p>The risk of financial loss arising from the negative revaluation of fixed assets owned and leased by ANZBGL New Zealand, caused by adverse changes in business and/or economic conditions. Residual Value Risk is included in the definition of Fixed Assets, which is the risk that the market value of the underlying assets of operating leases may fall below the anticipated residual value.</p>
Deferred acquisition cost risk	<p>The risk of loss arising from the failure of the benefits associated with the acquisition of interest earning assets to arise due to impairment, transfer, or prepayment.</p>

B6. RISK MANAGEMENT POLICIES (continued)

Reviews of ANZBGL New Zealand's risk management systems

Refer to Note 15 Financial risk management for details of the Internal Audit Functions reviews of ANZBGL New Zealand's RMF. These reviews are not conducted by a party external to ANZBGL New Zealand, the Overseas Banking Group, or the Ultimate Parent Bank.

Internal Audit Function of ANZBGL New Zealand

ANZBGL New Zealand has an Internal Audit Function, refer to Note 15 Financial risk management for details.

The nature and scope of the responsibilities of the Bank's Audit Committee, to which Internal Audit reports, are to assist the Bank's Board of Directors by providing oversight and review of:

- ANZBGL New Zealand's financial reporting principles and policies, controls, systems and procedures;
- the effectiveness of ANZBGL New Zealand's internal control and risk management framework;
- the work and internal audit standards of Internal Audit which reports directly and solely to the Chair of the Bank's Audit Committee;
- the integrity of ANZBGL New Zealand's financial statements and the independent audit thereof, and ANZBGL New Zealand's compliance with legal and regulatory requirements in relation thereto;
- any due diligence procedures;
- prudential supervision procedures and other regulatory requirements to the extent relating to financial reporting; and
- any other matters referred to it by the Bank's Board.

The Bank's Audit Committee is also responsible for:

- the appointment, annual evaluation and oversight of the external auditor;
- annual review of the independence, fitness and propriety, and qualifications of the external auditor;
- compensation of the external auditor; and
- where deemed appropriate, replacement of the external auditor.

In carrying out its responsibilities and duties, the Bank's Audit Committee will aim to seek fair customer outcomes and financial market integrity in its deliberations.

Access to parental disclosures

Disclosures made by the Ultimate Parent Bank in relation to capital adequacy requirements and risk management processes implemented by the Ultimate Parent Bank are included in the Ultimate Parent Bank's Annual Report and APS 330 Basel III Pillar 3 Capital Disclosures documents which can be accessed at the website shareholder.anz.com.

DIRECTORS' AND NEW ZEALAND CHIEF EXECUTIVE OFFICER'S STATEMENT

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:


- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014; and
- The Disclosure Statement is not false or misleading.

Over the year ended 30 September 2024, after due enquiry, each Director of the Ultimate Parent Bank and the Chief Executive Officer – NZ Branch believes that:

- The Ultimate Parent Bank has complied in all material respects with each condition of registration that applied during that period¹; and
- The NZ Branch and the Bank had systems in place to monitor and control adequately the material risks of Relevant Members of ANZBGL New Zealand including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

¹ In accordance with the Order, Australia and New Zealand Banking Group Limited - ANZBGL New Zealand has complied in all material respects with each of its conditions of registration that applied during the period if RBNZ has not published any information about a breach on its website, and has not notified Australia and New Zealand Banking Group Limited - ANZBGL New Zealand of any material breach.

Signed by the Chief Executive Officer – NZ Branch



Chris O'Neale
Chief Executive Officer – NZ Branch
7 November 2024

Signed on behalf of all the Directors of the Ultimate Parent Bank



Antonia Watson
Responsible Person
7 November 2024

on behalf of the Directors of the Ultimate Parent Bank:

John Cincotta
Shayne Elliott
Richard Gibb
Jane Halton, AO PSM
Graham Hodges
Holly Kramer
Christine O'Reilly
Paul O'Sullivan
Jeff Smith
Scott St John

ASSURANCE REPORTS



INDEPENDENT AUDITOR'S REPORTS

TO THE DIRECTORS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5 AND B6

OPINION

We have audited the accompanying registered bank disclosures in sections B2, B3, B5 and B6 (excluding supplementary information relating to credit and market risk exposures and capital adequacy disclosures) (the registered bank disclosures) which comprise the supplementary information that is required to be disclosed in accordance with schedules 4, 7, 11 and 13 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (the Order).

In our opinion, the accompanying registered bank disclosures that are required to be disclosed in accordance with schedules 4, 7, 11 and 13 of the Order of the New Zealand business of Australia and New Zealand Banking Group Limited (ANZBGL) and its subsidiaries (ANZBGL New Zealand) on pages 80 to 83 and 85 to 89:

- presents fairly the matters to which they relate;
- are disclosed in accordance with those schedules; and
- have been prepared, in all material respects, in accordance with any conditions of registration relating to the disclosure requirements, imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989 and any conditions of registration.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of ANZBGL New Zealand in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the registered bank disclosures in sections B2, B3, B5 and B6* section of our report.

Our firm has provided services to ANZBGL New Zealand in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews, agreed upon procedures engagements and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with ANZBGL New Zealand on normal terms within the ordinary course of trading activities of the business of ANZBGL New Zealand. These matters have not impaired our independence as auditor of ANZBGL New Zealand. The firm has no other relationship with, or interest in, ANZBGL New Zealand.

OTHER INFORMATION

The Directors, on behalf of ANZBGL New Zealand, are responsible for the other information. The other information comprises ANZBGL New Zealand's general disclosures in section B1, but does not include the registered bank disclosures in sections B2, B3, B5 and B6 and our auditor's report thereon. Our opinion on the registered bank disclosures in sections B2, B3, B5 and B6 does not cover any other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the registered bank disclosures in sections B2, B3, B5 and B6 our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the registered bank disclosures in sections B2, B3, B5 and B6 or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

USE OF THIS INDEPENDENT AUDITOR'S REPORT

This independent auditor's report is made solely to the directors. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume responsibility and deny all liability to anyone other than the directors for our audit work, this independent auditor's report, or any of the opinions we have formed.

RESPONSIBILITIES OF THE DIRECTORS FOR THE REGISTERED BANK DISCLOSURES IN SECTIONS B1, B2, B3, B5 AND B6

The Directors, on behalf of ANZBGL New Zealand, are responsible for:

- the preparation and fair presentation of the registered bank disclosures in accordance in sections B1, B2, B3, B5 and B6 (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosures) in accordance with schedules 2, 4, 7, 11 and 13 of the Order; and
- implementing necessary internal control to enable the preparation of registered bank disclosures that is free from material misstatement, whether due to fraud or error.

ASSURANCE REPORTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE REGISTERED BANK DISCLOSURES IN SECTIONS B2, B3, B5 AND B6

Our objective is:

- to obtain reasonable assurance about whether the registered bank disclosures in sections B2, B3, B5 and B6, (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosures) in accordance with schedules 4, 7, 11 and 13 of the Order as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the registered bank disclosures in sections B2, B3, B5 and B6.

For and on behalf of:



KPMG
Auckland
7 November 2024

INDEPENDENT LIMITED ASSURANCE REPORT TO AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED (ANZBGL)

CONCLUSION ON THE SUPPLEMENTARY INFORMATION RELATING TO THE CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY DISCLOSURES IN SECTION B4

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or audit, nothing has come to our attention that would lead us to believe that the supplementary information relating to credit and market risk exposures and capital adequacy disclosures, disclosed in section B4 on page 84 to the disclosure statement, is not, in all material respects disclosed in accordance with schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order).

INFORMATION SUBJECT TO ASSURANCE

We have reviewed the supplementary information relating to credit and market risk exposures and capital adequacy disclosures, as disclosed in section B4 of the disclosure statement as at and for the six months ended 30 September 2024.

The supplementary information relating to credit and market risk exposures and capital adequacy disclosures comprises the information that is required to be disclosed in accordance with Schedule 9 of the Order.

STANDARDS WE FOLLOWED

We conducted our limited assurance engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Accounting Standards Board. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with the SAE 3100 (Revised), we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the supplementary information relating to credit and market risk exposures and capital adequacy disclosures, is free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls;
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.
- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to credit and market risk exposures and capital adequacy disclosures;
- performed inquiry and analytical review procedures over the credit and market risk exposures and capital adequacy disclosures;
- obtained an understanding of ANZBGL's compliance framework and internal control environment over the information relating to credit and market risk exposures and capital adequacy disclosures, including ANZBGL's assessment of any matters of non-compliance with the Reserve Bank of New Zealand's Prudential Requirements; and
- agreed the information relating to credit and market risk exposures and capital adequacy disclosures, extracted from ANZBGL's models, accounting records or other supporting documentation to the Disclosure Statement.

HOW TO INTERPRET LIMITED ASSURANCE AND MATERIAL MISSTATEMENT AND NON-COMPLIANCE

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material misstatement and non-compliance with schedule 9 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, within the supplementary information relating to credit and market risk exposures and capital adequacy disclosures and non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the supplementary information relating to credit and market risk exposures and capital adequacy disclosures.

INHERENT LIMITATIONS

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A limited assurance engagement as at and for the six months ended 30 September 2024 does not provide assurance on whether compliance with schedule 9 of the Order will continue in the future.

USE OF THIS ASSURANCE REPORT

Our report is made solely for ANZBGL's directors. Our assurance work has been undertaken so that we might state to ANZBGL's directors those matters we are required to state to them in the assurance report and for no other purpose.

Our report is released to ANZBGL's directors on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. No other third party is intended to receive our report.

Our report should not be regarded as suitable to be used or relied on by anyone other than ANZBGL and ANZBGL's directors for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than ANZBGL and ANZBGL's directors for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our conclusion is not modified in respect of this matter.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED'S RESPONSIBILITY FOR THE SUPPLEMENTARY INFORMATION RELATING TO THE CREDIT AND MARKET RISK EXPOSURES AND CAPITAL ADEQUACY DISCLOSURES

The Directors of ANZBGL are responsible for the disclosure of the preparation of the supplementary information relating to credit and market risk exposures and capital adequacy disclosures in accordance with schedule 9 of the Order, which the Directors have determined to meet the needs of ANZBGL. This responsibility includes such internal control as the Directors determine is necessary to compliance and to monitor ongoing compliance and to enable the disclosure of the supplementary information relating to credit and market risk exposures and capital adequacy disclosures that is free from material misstatement and non-compliance whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion to ANZBGL on whether anything has come to our attention that would lead us to believe that, in all material respects, the supplementary information relating to credit and market risk exposures and capital adequacy disclosures has not been disclosed in accordance with schedule 9 of the Order as at and for the six months ended 30 September 2024.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (PES 3), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided services to ANZBGL New Zealand in relation to review of regulatory returns, internal controls reports, prospectus assurance or reviews, agreed upon procedures engagements and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with ANZBGL New Zealand on normal terms within the ordinary course of trading activities of the business of ANZBGL New Zealand. These matters have not impaired our independence as auditor of ANZBGL New Zealand. The firm has no other relationship with, or interest in, ANZBGL New Zealand.



KPMG
Auckland
7 November 2024

